Institute and Faculty of Actuaries

Pensions on Divorce: Standardisation of Reporting and Methodology

By The IFoA Pensions on Divorce Working Party

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1. Executive Summary

This report is the output of the Institute and Faculty of Actuaries' Pensions on Divorce Working Party. The working party was formed following the IFoA's 2024 thematic review of expert actuarial advice on pensions on divorce / dissolution of a civil partnership[1]. That review found that the overall standard of advice was good but identified a range of justifiable technical approaches leading to inconsistencies between reports, inconsistent use of terminology, and difficulty obtaining data from pension schemes. Our terms of reference are at Appendix 9.

We are an interdisciplinary group of Pensions on Divorce Experts (PODEs), family lawyers and non-PODE actuaries, and we have considered PODE work in England and Wales only. Our work drew on anonymised reports and assumptions contributed by six PODE firms, quantitative modelling of two hypothetical cases, a consultation panel of PODEs, family lawyers, and financial advisers, and discussions with pension scheme administrators and the Pensions Administration Standards Association (PASA).

We build on, and do not seek to contradict, A Guide to the Treatment of Pensions on Divorce[2] (the "PAG guide"), which we regard as the definitive statement of good practice in this field.

Communication and format of reports

In connection with the format of reports, our principal output is a template executive summary for PODE reports (Appendix 3), together with a user guide (Appendix 2) and a worked example (Appendix 4).

Every firm whose reports we reviewed included an executive summary, but the content of those summaries varied considerably. Only three included the pensions held and their values; only two included offsetting figures where offsetting formed part of the remit; and it was rare for a summary to show what income each party would have following a pension share. Reports ranged in length from 16 to 43 pages.

A common structure for the part of the report on which lawyers, judges and litigants in person rely most should make reports easier to navigate and to compare. Some of the largest PODE firms have committed to adopting the template executive summary, and we propose that it be reviewed after around a year of use.

We also considered what actuarial standards require to be communicated in PODE reports. Our view is that technical detail which is not material to the primary users should be made available separately, rather than set out in the body of the report where it risks obscuring the information those users do need to engage with.

Technical methodology

Our principal outputs in connection with technical methodology are a Minimum Good Practice (MGP) guide (Appendix 6), a set of default approaches (Appendix 7), and a user guide to these documents (Appendix 8). The MGP is brief and sets out elements of PODE good practice which this working party considers essential. The defaults are intended as a more flexible steer on consistency and proportionality.

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[1] Throughout this report we use the term 'divorce' to mean both the legal ending of a marriage by way of divorce, and also the dissolution of a civil partnership.

[2] https://www.nuffieldfoundation.org/wp-content/uploads/2023/A-guide-to-the-treatment-of-pensions-on-divorce-2nd-edition.pdf First edition 2019, Second edition 2024.

We found a range of technical approaches in use and we have sought to quantify what that range can mean for divorcing parties. Our sample size was very modest and we cannot draw any conclusions about the range of methods among PODEs outside that sample. However, based on our review of PODE reports we received and additional information provided by some PODEs:

- Discount rates net of CPI and expenses provided to us in June 2026 ranged from 1.85% to 3.25% a year. That range could produce capital values differing by about one third for parties 20 years from retirement. For public service schemes (or any other scheme with CPI increases before retirement which offers an internal share), that would principally influence offsetting figures. In schemes with CPI increases before retirement that offer only external shares, this would have a material impact on sharing percentages for parties some way from retirement.
- Differences in methods for deriving capital values from annuity data could lead to material differences, although the size is uncertain.
- Assumed gaps between RPI and CPI ranged from 0.1% to 1.0% a year, which could affect the value of CPI-linked benefits by around 15% for parties at or below retirement age, assuming RPI-linked valuations to be equal.

In our modelling of two hypothetical cases using historical data and a range of bases:

- Offsetting values calculated on different reasonable bases differed by up to about 20%, and typically by around 11%.
- Pension share percentages were considerably more stable than capital values, provided both the PODE's basis and the scheme's cash equivalent value are market-related, but still differed from one another by several percentage points.

The practical consequence is that the choice of expert may affect the results where parties are younger and offsetting or external shares are considered. It matters least where an internal share is implemented.

The working party was unanimous that all PODEs should use market-related financial assumptions which are regularly updated and that all PODEs should follow the Minimum Good Practice set out at Appendix 6. The working party believes that PODEs should review their assumptions in respect of the gap between RPI and CPI.

The majority of the working party also recommend that accreditation of single joint expert PODEs should be enhanced through a certificate or practice module developed jointly by the IFoA and the FCA.

The working party did not reach agreement on whether the methodology for deriving the financial and mortality assumptions should be prescribed. One view is that this work is high volume and consumer facing, that it is homogeneous for the purpose of setting mortality and financial assumptions, that users cannot reasonably be expected to engage with the judgements involved, that in some circumstances experts will provide materially different results, and that a prescribed methodology would therefore produce more consistent and fairer outcomes which are contingent mainly on the facts of the case rather than the choice of expert. The other view, put forward by the PODEs on the working party, is that PODEs are independent expert witnesses who must be able to justify assumptions of their own, that prescription would create a single point of failure and risks becoming stale, and that standardisation would be a distraction from more serious problems in this market. Both views are set out in more detail in Section 9.

We regard the absence of a conclusion on this question as a limitation of this working party, rather than a finding that intervention is or is not warranted. In its place, as described above, we propose a set of pragmatic, non-binding defaults (Appendix 7) with guidance on when it is appropriate to depart from them (Appendix 8).

Data provision

Obtaining scheme and member information remains a significant obstacle. Very few schemes provide information in the form recommended by Financial Conduct Authority (FCA) or Pensions Administration Standards Association (PASA) guidance for transfers, some administrators decline to deal with PODEs directly, and ad hoc responses increase cost, delay and the risk of error on all sides. We have made specific proposals to PASA and expect that work to continue beyond the life of this working party.

Wider reform

We also contributed to the IFoA's response[3] to the Ministry of Justice consultation *A fairer end to relationships*, which argued that pension sharing should be a starting point, that the circumstances in which a PODE should be instructed should be codified, and that internal sharing should be more widely available. It also set out the arguments for and against provision of internal sharing implementation quotes as standard by public service schemes.

Recommendations

Our recommendations appear in the sections which follow and are collected at Appendix 11. In summary, they are:

- Encourage all PODEs to adopt the Template Summary
- PODEs should leave out technical detail in reports where it is defensible to do so. This should be provided by following a link or on request.
- PODE assumptions for the gap between RPI and CPI should be reviewed.
- PODEs should make users aware of the range of results that might arise from alternative methods. PODEs should benchmark their pre-retirement investment return assumption in particular. Where material, PODEs should consider giving a quantitative indication of how the report results would change if different assumptions were instead used.
- PODEs should follow the Minimum Good Practice (MGP) guide, including:
    - Using market-related assumptions which are regularly updated.
    - Highlighting any excluded payments
    - Adopting consistent terminology set out in the MGP
    - Where PODEs depart materially from a PAG recommendation, they should highlight this to the user and document the reason for departures.

[3] https://actuaries.org.uk/media/xibddbwi/ifoa-response-to-moj-consultation-a-fairer-end-to-relationships.pdf

- PODEs should follow the pragmatic, non-binding defaults (Appendix 7) where appropriate.
- (Not unanimous) Accreditation for PODEs should be enhanced.

2. Introduction

2.1 The need for divorce experts

The work of Pensions on Divorce Experts (PODEs) may be unfamiliar to most actuaries. PODEs typically provide specialist advice direct to divorcing parties or through lawyers, often through a formal appointment as an expert witness to the court.

When couples divorce, there are three options for the treatment of their pensions:

- **Offsetting:** The pension remains with the pension scheme member[4], but the former spouse receives a larger share of other assets
- **Pension Sharing:** Part of the member's pension is transferred to the former spouse. The resulting court order will provide for the Cash Equivalent Value (CEV)[5] to be shared by way of an agreed (or court ordered) percentage set down in the pension sharing annex. In a pure defined contribution (DC) scheme, this will be implemented by the transfer of part of the member's pot (in cash or specie) to a new pension in the former spouse's name. In a defined benefit (DB) scheme, the DB member has a debit applied to their pension corresponding to the percentage transferred. The recipient may be required to transfer their share to another scheme (an "external share"), in which case they will normally receive a DC benefit. All public service schemes, and some others, allow the former spouse to receive a pension credit (an "internal share") in the member's DB scheme.
- **Pension Attachment Order:** A proportion of the member's pension payments (which may include lump sum and death benefits) are provided to the former spouse. This is also referred to as "earmarking".

Pension Attachment Orders are now rarely used because (a) they do not provide a clean break, (b) the recipient only receives their income and/or lump sum when the member retires (so orders can therefore be potentially defeated by decisions the member may make) and (c) periodical payments cease upon the death of the member, or remarriage of the recipient, creating financial insecurity for the former spouse.

The Fair Shares research found that only 11% of divorcees with a pension yet to be drawn had made a pension sharing arrangement and that, where a pension not yet in payment was shared, the pension split was equal in only 22% of cases.[6] meaning that in the overwhelming majority of cases, there is no pension share (or Pension Attachment Order).

The same research found a widespread lack of awareness of pensions: 37% of divorcees did not know the value of their own pension and 23% did not know whether their employer scheme was DB or DC. A general lack of interest in the pension, and a sense that it should stay with the spouse who had contributed to it, were the main reasons it was not seen as a resource to be shared. However, the absence of a share can also be for a very legitimate reason, typically that one party needs to retain the family home.

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[4] Throughout this report, we use the term "member" loosely to mean the pension holder in any arrangement, including personal pensions and state pensions.

[5] A Cash Equivalent Value is the capital value of a pension calculated by the pension scheme. In a pure DC scheme, this is simply the member's accumulated fund.

[6] E Hitchings, C Bryson, G Douglas, S Purdon and J Birchall, Fair Shares? Sorting out money and property on divorce (University of Bristol / Nuffield Foundation, 2023) https://www.nuffieldfoundation.org/project/fair-shares-sorting-out-money-and-property-on-divorce

Although a CEV quotation will be available from each pension arrangement, it will not always be an appropriate basis for determining how pensions should be treated. Indeed, the Pensions Advisory Group warns of the inherent limitations of using the CEV figure.

The need for PODEs arises for the following main reasons:

- Where **pension sharing** is considered:
    - If an internal share is available, the parties may only be told the CEV by the pension scheme and may not know what the share would provide if implemented.
    - Equality of retirement income[7], not equality of capital, is often targeted:
        - Age differences may mean, even for DC, that an equal share of the capital value would not result in equal incomes.
        - If only an external share of a DB pension is available, the former spouse can only secure a similar level of protection by purchasing an annuity. However, if the CEV is not consistent with annuity pricing, a 50% share may not buy a similar level of income to the member.
        - Where equality of capital value is considered, comparison between CEVs for different schemes (and annuity pricing) is often inconsistent due to different underlying assumptions. This is relevant where there are multiple pensions or an external share.
        - Where multiple pensions are involved, a PODE is often needed to identify which pension(s) have the most favourable sharing terms, otherwise there is a significant risk that value is destroyed.
- Where **offsetting** is used, the CEV is not always an appropriate measure of the value. In particular, it may not represent the funds needed to secure similar pension benefits. To calculate a consistent figure requires the input of a PODE.
- Special features of pension schemes may mean sharing CEVs equally does not reflect an equal share of the accrued benefits or that the CEV is an unsuitable figure for offsetting. For example, the CEV for a Police, Fire or Armed Forces pension scheme might reflect a deferred retirement age when the benefit is likely to be available in full from a much earlier age. Or schemes might have guaranteed investment returns or guaranteed annuity rates.

PODEs' fundamental purpose is to help the courts and parties ensure a fair outcome on divorce. This work goes beyond the narrow technical calculations. Even if we imagine reforms to the mechanism of pension sharing to address some of the inconsistencies above, PODEs would continue to add value.

In carrying out their work, PODEs identify the correct interpretation of benefit structures (including significant, non-obvious features like guarantees), sense check data (and spot probable errors), and highlight better solutions like voluntary National Insurance contributions. All this requires broad and deep knowledge of the pensions system and this is reflected in the broad range of competencies typically expected of PODEs[8].

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[7] Equality of income calculations will usually include a request to equalise any lump sums, where automatically paid. For ease, we use equality of income throughout this report as a shorthand for equality of income and lump sum(s).

[8] See, for example, Appendix D of A Guide to the Treatment of Pensions on Divorce Second Edition

2.2 Background and motivation

We consider PODE work in England and Wales only. This work is done by IFoA members, Independent Financial Advisors and others who self-certify their expertise to undertake the work. Naturally, we focus primarily on the work done by IFoA members[9].

In many cases, PODEs act as a Single Joint Expert (SJE), i.e. an expert witness appointed by both sides. An SJE has an overriding duty to the court. In practice, a PODE does not normally give oral evidence. An SJE PODE provides a report and may answer questions in writing. The term PODE is also used for experts ("shadow PODEs") who provide support in drafting instructions or reviewing SJE PODE reports.

There are no requirements in legislation for how a pension should be treated on divorce[10]. However, there is a definitive guide to good practice in A Guide to the Treatment of Pensions on Divorce (the "PAG guide")[11]. The working party supports this guide and aims to build on, not contradict, that work. A Guide to the Treatment of Pensions on Divorce was authored by the Pensions Advisory Group (PAG) working party and endorsed by the President of the Family Division.

Before the PAG guide was published, the paper "Apples or Pears"[12] described the results of a group of practicing actuary and non-actuary PODEs calculating offsetting values for three hypothetical cases set out by the authors. This revealed a wide range of PODE methodology leading to dramatically different outcomes in some cases, depending only on which expert was instructed. This contributed to the formation of the Pensions Advisory Group (PAG), an interdisciplinary group of lawyers and experts which sought to set out good practice for the treatment of pensions on divorce.

The range of results available from PODEs who follow the PAG guide recommendations will have been substantially reduced compared to those reported in Apples or Pears. Greater consistency of practice has been a boon to divorcing parties and practitioners alike. It is likely to have benefited hundreds of thousands of people since the publication of the first report.

Following the PAG Guide, there was strong anecdotal evidence for improvement but no systematic survey of PODE work in the manner of "Apples or Pears". There remained concerns about "rogue" practitioners[13] who do not comply with the PAG guide recommendations or do not have the appropriate competencies for the work.

Even among PAG-compliant practitioners, the PAG guide allows discretion on technical matters. Our working party has reviewed a small sample of PODE reports and identified that there remain a range of technical actuarial assumptions and approaches in use. The PAG guide does supply a technical

[9] Sometimes we use the shorthand "actuaries" for IFoA members in this report, but this is not a protected title. There are PODEs who describe themselves as actuaries, but who are not current IFoA members and who would not be able to use the protected title Chartered Actuary.

[10] Albeit this may change if proposals to codify the law on financial remedies on divorce are enacted following the Ministry of Justice Consultation in 2026. This is considered further at Section 11.

[11] https://www.nuffieldfoundation.org/wp-content/uploads/2023/A-guide-to-the-treatment-of-pensions-on-divorce-2nd-edition.pdf First edition 2019, Second edition 2024.

[12] Woodward, Hilary & Taylor, Rhys. (2015). Apples or Pears? Pension offsetting on divorce https://www.familylaw.co.uk/docs/pdf-files/Apples_or_pears_-_Pension_offsetting_on_divorce.pdf

[13] PAG (Appendix C, "Who can be instructed as a PODE or Single Joint Expert") reports that it was not possible to identify or establish a unified scheme of regulation and accreditation for PODEs. PAG introduced steps to mitigate this including experts' self-certification of expertise in a Statement of Truth (Appendix D, "Self-certification of expertise").

basis[14], but PODEs we spoke to said that since it is a "starting point", that they felt it was more appropriate to identify their own basis. In Section 6, we set out the range of assumptions used by PODEs. In many cases, PODEs who considered this starting point went on to choose unrelated technical bases.

In April 2024, the IFoA published the results of a thematic review of its members' work providing expert actuarial advice on pensions on divorce[15]. 12 organisations took part in this review. Among the review's findings were:

- (Finding 12) The overall standard of the examples we reviewed was good with sound levels of compliance with standards. There are, however, examples where advice could be improved, to help couples understand the implications more clearly.
- (Finding 9) The absence of defined methodology and specific technical standards mean there is a range of justifiable approaches adopted by actuaries. This does however lead to inconsistencies between reports and contributes to the need for complex and lengthy explanations of preferred approaches.
- (Finding 10) Actuaries use different terminology to describe the same methodology.
- (Finding 11) There are mixed views among lawyers on the complexity of reports, although the majority believe there should be more standardisation and this view has strengthened over the last five years
- (Finding 16) Among the actuaries who took part in the review, we heard that the collection of data from pension schemes and providers is a major issue.
- (Finding 17) In a connected survey of lawyers, we heard a consistent view, with the timely collection of data being a bigger issue now than five years ago.

Our working party was created to address some of these points by considering:

1. Standardisation and simplification of reporting
2. Whether further standardisation or defaults for technical methodology would be appropriate and, if so, what they should be
3. Use of consistent terminology by actuary PODEs
4. Whether it is possible to streamline data collection

The working party's terms of reference are provided in Appendix 9.

2.3 Methodology and outputs

Our work drew on four main sources:

- **A review of PODE reports.** Five firms with IFoA-member PODEs each contributed at least two anonymised reports, dated between December 2024 and May 2025, a further firm provided their report template, and four of the initial six firms provided further detail of their assumptions in June 2026. Our findings are in Section 6.

[14] PAG guide Appendix Q: The basis is taken from the Financial Conduct Authority (FCA) Transfer Value Comparator (TVC) basis, which has since been updated by the FCA. Footnotes in the PAG guide note some suggested adjustments, in particular substitution of a pre-retirement discount rate based on a balanced portfolio.

[15] https://actuaries.org.uk/thematic-review-pensions-on-divorce/

- **Quantitative analysis.** We modelled three hypothetical offsetting and external pension sharing scenarios using a range of bases with market data from December 2020 to spring 2025 to investigate how much the choice of basis affects the results. This is in Section 7.
- **A Consultation Panel.** We circulated a selection of our draft outputs[16], with a questionnaire, to a panel of PODEs and family law practitioners. The responses are summarised in Appendix 5.
- **Interdisciplinary discussion.** The working party includes PODEs, family lawyers and non-PODE actuaries, and we also drew on discussions with pension scheme administrators and other practitioners.

Part 1 of this report addresses the format and content of PODE reports. Part 2 addresses technical methodology: our review of reports (Section 6), the quantitative analysis (Section 7), and the principles (Section 8) and practice (Section 9) of standardisation. Part 3 addresses data provision and wider reform. Our primary outputs are in the appendices. These are:

- A PODE report Template Summary with accompanying user guide and example. We believe that adoption of this standardised template by as many PODEs as possible would improve accessibility and comparability of reports, especially from the perspective of lawyers and judges who may see this material often.
- A proposed Minimum Good Practice (MGP) guide for PODEs, a set of proposed technical defaults for PODEs, and a guide to applying these.

We have worked with the Pensions Administration Standards Association (PASA) to try to smooth the provision of information on divorce. This work is discussed in Section 10 and we hope it will continue beyond the lifetime of the working party.

We also proposed a range of reforms to the treatment of pensions on divorce in our contributions to the IFoA response[17] to the Ministry of Justice consultation on "A fairer end to relationships"[18] on 14 August 2026. This is discussed in Section 11. In Section 12, we summarise our conclusions.

2.4 Terminology

In this report, we introduce terminology which we hope will be used consistently by PODEs to assist users who currently experience a wider range of terminology from different providers.

- **Equalisation age:** The starting age for an equality of income for life calculation.
- **Equalisation date:** The starting date for an equality of income for life calculation.
- **Notional comparable income:** A single figure, per pension or per party, representing the annual income received from the equalisation age (or date) for life taking into account different escalation rates and different periods of payment. The figure is used to enable a consistent comparison between incomes for the purpose of an equality of income calculation.

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[16] An initial version of the proposed summary template with accompanying user guide and example (Appendices 3, 4 and 5). We also shared a proposed data specification to support our discussions with the Pension Administration Standards Association (PASA) (Section 10).

[17] https://actuaries.org.uk/document-library/thought-leadership/policy/consultations/2026/ifoa-response-to-ministry-of-justice-consultation-a-fairer-end-to-relationships/

[18] https://www.gov.uk/government/consultations/a-fairer-end-to-relationships/a-fairer-end-to-relationships-consultation-document

- **Independent Expert Value (IEV):** A capital value calculated by the expert for the purpose of equality of capital or offsetting.

Notwithstanding the introduction of the term IEV, we continue to use “capital value” in this report as a more general term (of which IEV is a special case).

Part 1: Communication and format of reports

3. Introduction

In this *Part 1: Communication and format of reports*, we address this finding from the thematic review:

- *(Finding 11) There are mixed views among lawyers on the complexity of reports, although the majority believe there should be more standardisation and this view has strengthened over the last five years*

In the final part of Section 4, we also touch on how actuarial standards apply to PODE communications:

- *(Finding 12) The overall standard of advice was good with sound levels of compliance with standards. There are, however, examples where advice could be improved, to help couples understand the implications more clearly*

The family lawyers in the working party were particularly interested and keen to create some form of standardisation in the content and presentation of PODE reports to aid lawyers, judges and divorcing parties to better understand the key findings of the report and easily navigate to specific areas of the report for more detailed information to help them to understand those findings. Although the PAG guide includes some recommendations as to the content to be included in a PODE report (Appendix D and Appendix N), the recommendations do not go so far as to suggest a particular format for the report or any executive summary.

Our working party discussed building on the work of the PAG working party and it was widely acknowledged that the specimen letter of instruction at Appendix E of the PAG guide has already been transformational and widely adopted by family lawyers.

The working party therefore established a subgroup consisting of all three family lawyers on the wider working party, one PODE and the Chair of the full working party to discuss whether standardisation of the format of reports could be achieved. Following review of the example anonymised reports submitted by six PODE firms (see section 4) and further discussion it was determined that the subgroup should focus on attempting to create a standard summary template for PODE reports which would present the key information and findings and information in an easily accessible format and, which, if widely adopted by PODEs would become familiar to family lawyers, financial advisors and judges and therefore be easier to digest and navigate. This would enable professionals to quickly and easily get to grips with the content of the report, which in turn would hugely benefit divorcing parties who need advice on those reports or a decision on the orders to be made. It would of course also be of significant benefit for litigants in person, especially if they were instructing the PODE directly.

The working party created a draft Template Summary and a draft user guide. These were circulated to the Consultation Panel for their comments. The majority of the feedback received was very positive. Comments were considered and taken on board by the subgroup.

PODEs in the working party prepared examples of the completed Template Summary to test its use and we selected one example for publication. The template and user guide were also updated in light of this experience. In Section 4, we set out our analysis and resulting recommendations.

4. Discussion of outputs and recommendations

The user guide at Appendix 2 provides a comprehensive summary of how to complete the Template Summary and its intended use. The content of that is not repeated here. Instead we set out:

- Our findings from our review of the anonymised PODE reports, so far as structure and content of existing reports is concerned
- Our thoughts behind our decision to concentrate on and what was included, and excluded, from that Template Summary
- The feedback from the consultation panel
- Our future plans.

4.1 Findings from the anonymised PODE reports

As explained at section 2.3 the working party benefitted from a review of reports from six firms with IFoA member PODEs. Those reports dated between December 2024 and May 2025. Section 6 deals with our findings from those reports so far as assumptions and technical issues are concerned. However, below we set out a comparison of the structure of those reports.

Firm	**Total Length (average)**	**Structure of Report ***	**Information included in the Executive Summary ***
1	27 pages	• Introduction • Summary • Pension rights • Achieving equality • Offsetting • Declaration • Appendices	• Fair capital value (& marital accrual) • Options for achieving equality • % PSO required for equality fair capital values • % PSO required for equality of income • Directs to body of report for offsetting (doesn't confirm figure in summary)

Firm	Total Length (average)	Structure of Report *	Information included in the Executive Summary *
2	40 pages	• Declarations • Summary • Reporting narrative • Potential PSO • Capital values (including offsetting) • Appendices	• % PSO required for the various scenarios • Directions to body report for offsetting
3	18 pages	• Introduction • Summary • Pension rights • PSO calculations • [Offsetting] • Declarations • Appendices	• Pensions held and incomes at present • PSO suggested • [Offsetting figure]
4	20.5 pages (plus 18 page appendices)	• Summary • Introduction • Pension rights • [How PSO works] • Issues to consider • Calculations • Offsetting • Declaration • Letter of Instruction • Appendices (standard form)	• Results for PSO (including incomes generated in one of the two reports) • Directs to section on offsetting • [Other issues] • Points to note • Cross-refers to where data and assumptions can be found

Firm	Total Length (average)	Structure of Report *	Information included in the Executive Summary *

5	24 pages	• Introduction
		• Summary
		• Main findings
		  ○ In effect expanded summary
		• Pension sharing
		  ○ Points to note
		• Pension calculations
		• Declaration
		• Appendices
			• Value of rights
			• PSO required to equalise incomes including incomes produced from those shares
			• Offsetting (including figures)

6	18.5 pages	• Introduction • Summary of pension rights • Pension sharing • Summary • Appendices	• % PSOs required for the different scenarios • Caveats etc

* elements in square brackets only included in some reports.

Obviously the structure and content of any given report will reflect the nature of the specific instructions / remit of the report, but in broad terms, from our review, we derived the following:

- Reports varied in length between 16 pages and 43 pages (average of c. 24 pages, excluding an 18 page appendices which firm 4 includes in standard form)
- All firms included an executive summary (for most this appeared at the outset of the report), but the information contained in that varied between firms
  - Only three of the reports include in the executive summary the pensions held pre implementation of any pension sharing and the value of those and / or benefits accrued to date.
  - It was rare for firms to include in the summary section details of what the 'notional comparable incomes' (being the phraseology adopted by the working party in their Template Summary) would be following implementation of any Pension Sharing Orders
  - Only two of the firms included figures for offsetting (when forming part of the remit of the report) in the executive summary

- The content of the reports were broadly aligned (albeit varying levels of detail) but reports varied in organisation of those sections (and extent of information included in appendices etc).

4.2 Discussion and methodology as to production of the draft template

As outlined in section 3, the working party sub-group, following their review of the anonymised reports, decided that their first focus of effort should be on production of a template executive summary ("Template Summary"). Whilst future work may lead to a template report, that is a much more extensive task (not least given the remit of such reports, and complexity of pensions, can vary hugely).

The working party therefore discussed what should be included in any such template. In doing so, they were guided by not only their own practice but also by some feedback from members of Resolution's Litigants In Person Committee. The lawyers in the group in particular were very keen that the Template Summary should set out in clear tabular form the pensions held (including benefits accrued to the extent relevant) pre implementation, and post. This view held by the lawyers in the group was echoed by one of the Litigants in Person committee members, who commented "*One thing I found very helpful on a report…recently was a table setting out the scheme names, the earliest date they could be drawn down on and what the annual and monthly incomes would be. It was in one table and clearly there for clients to see which made setting out the position so much simpler."* They were also clear that implementation issues should be highlighted in the Template Summary, including details of fees due and any clawback that may be in operation.

A draft Template Summary was therefore produced and refined over a number of meetings, and with feedback from PODEs in the working party (having completed the Template Summary) and from the wider consultation group.

4.3 The feedback from the consultation panel

Appendix 5 (and in particular 5.3) sets out, in tabular form, the feedback of the consultation panel, and the sub-group's conclusions on each point.

4.4 Publication and future plans

The Template Summary was published on the Financial Remedies Journal website on 22 September 2026[19] and has been added to the IFoA website[20]. The working party has had commitments from some of the largest PODE firms to begin including the Template Summary in their reports by the New Year. It is hoped that widespread adoption will become the norm.

The Template has been tested (by using it for hypothetical cases) and has received positive feedback from the consultation group. However, it is recognised that once the Template is in use for a broader variety of cases, a much broader range of views and examples will come to the fore. As such, it is proposed the Template Summary be reviewed, in light of that experience, after around twelve months of use.

As outlined above, the subgroup did consider whether a template full report could be prepared but considered that the Template Summary was both the obvious starting point and the area in which would have most impact for lay and professionals readers of PODE reports. Ultimately, each PODE

[19] https://financialremediesjournal.com/ifoa-working-party-for-pensions-on-divorce-template-executive-summary/

[20] https://vle.actuaries.org.uk/course/view.php?id=2719

will likely have their own house style, and each report will be bespoke to the couple in question. Therefore, devotion of time to the development of a template full report was agreed to be neither proportionate nor necessary at this stage, but it remains a possibility for future projects.

Recommendation: *We encourage all PODEs to adopt the Template Summary (Appendix 3), making use of the associated user guide (Appendix 2) and example (Appendix 4.) As discussed in the user guide, we accept that the Template Summary will need to be adapted for some cases. We propose that the Template should be reviewed after a year or so.*

4.5 What actuarial standards require to be included

The IFoA Thematic Review found that *"(Finding 12) The overall standard of advice was good with sound levels of compliance with standards. There are, however, examples where advice could be improved, to help couples understand the implications more clearly"* In this final subsection regarding the content and format of reports, we discuss aspects of how those are influenced by actuarial professional standards.

Actuaries working as PODEs identified particular compliance considerations connected with communication which reflect the non-expert nature of their users. While there are lawyers and litigants who will understand PODE reports in full, it is not realistic in general to expect users to understand or engage with the technical content. This view was also evidenced by responses from our Consultation Panel (Appendix 5, in particular Subsections 5.6 and 5.7). Therefore, PODEs must grapple with the Actuaries' Code requirement:

"6.4 Where Members identify that a user of their work has, or is reasonably likely to have, misunderstood or misinterpreted the information or advice provided by them in a way which could have a material impact, Members should draw the user's attention to this."

And the similar TAS 100[21] requirement at P7.6 that *"If a practitioner responsible for a communication becomes aware that the communication has not been understood by the intended user, that practitioner must provide clarification or information to correct the misunderstanding."*

This applies only to material information. Of non-material information, TAS 100 states *"P7.3 The practitioner's communications must exclude information that is not material if that information obscures material actuarial information, unless the inclusion of such information is a regulatory requirement."*

TAS 100 defines "material" as *"Matters are material if they could, individually or collectively, influence the significant or relevant decisions that could be taken by an intended user…"*

TAS 100 also states *"P7.1 Practitioners must ensure the style, structure and content of communications is suited to the skills, understanding and levels of relevant technical knowledge of the intended user."*

PODE reports we have seen do often include a relatively high level of technical information, including details of the assumptions. We question whether this is always appropriate.

[21] Technical Actuarial Standard (TAS) 100 (https://www.frc.org.uk/library/standards-codes-policy/actuarial/tas-100/) is a standard for actuarial work produced by the Financial Reporting Council (FRC). It is mandatory for IFoA members.

The working party believes that the appropriate approach to resolve this tension is that information that is non-material to the primary users (lawyers or litigants) should be made available separately to avoid obscuring the central message. This is because:

- PODE reports may serve a number of users and not all information included is necessarily material to every user. For example, technical information may only be required if the report is reviewed by a shadow PODE. If so, it may be necessary to write the report in such a way that each user can identify the information relevant to them.
- Technical information may not be material. In particular, some PODEs told us that for some types of case, any reasonable set of technical assumptions would give materially the same result. If so, it will normally be appropriate to exclude that detail as implied by TAS 100 P7.3.

This tension would also be addressed if assumptions and methodology were prescribed. Since prescribed methodology does not involve a choice, there is not a significant or relevant decision for the user to make. Therefore, the detail of prescribed methodology is not material information in the sense of TAS 100. Therefore including it would be unnecessary or, if it obscured material information, inappropriate.

We heard an alternative PODE perspective, which is that their assumptions "*could be judged to be commercially sensitive information*" which they would not disclose in all contexts. The view of the majority of the working party was that this is not in line with usual practice where an actuary provides advice to a client. All material information including material assumptions should be disclosed, as required by TAS 100. General assumptions, unlike internal models or the implementation of those assumptions, are very unlikely to be the PODE firm's intellectual property or trade secrets. By contrast, all parties with an interest in a pension scheme (actuary, trustees, members[22], regulator, sponsoring employer, accounts, etc) should reasonably be able to see scheme funding assumptions, and in the context of litigation all litigants, lawyers and the court should expect to be able to see the PODE's assumptions if they need to. Family Procedure Rules Part 25 also emphasise disclosure of the expert's reasoning.

We discuss prescription of assumptions in Sections 8 and 9. In general, the working party's recommendation is:

Recommendation: *It will generally be appropriate to leave out technical detail where it is defensible to do so. PODEs should consider carefully whether technical information is in fact material to the primary users (lawyers, litigants or the court). If it is not material to the primary users, it should be excluded to avoid obscuring information which is material. If it is required by other users (such as shadow PODEs), the technical information should be made readily available separately by following a link or by request.*

[22] Members only see funding assumptions if they request sight of the valuation report, which is their right. They are not given the assumptions automatically.

Part 2: Technical Methodology

5. Introduction

In this *Part 2: Technical Methodology*, we address the following findings from the thematic review:

- *(Finding 9) The absence of defined methodology and specific technical standards mean there is a range of justifiable approaches adopted by actuaries. This does however lead to inconsistencies between reports and contributes to the need for complex and lengthy explanations of preferred approaches.*
- *(Finding 10) Actuaries use different terminology to describe the same methodology.*

We also return to the following finding, considered primarily in Part 1:

- *(Finding 11) There are mixed views among lawyers on the complexity of reports, although the majority believe there should be more standardisation and this view has strengthened over the last five years*

This Part is organised as follows. Section 6 reports what we found from our review of PODE reports, focusing on the range of technical approaches in use. Section 7 sets out quantitative analysis of two hypothetical cases, to show how far offsetting values and pension shares vary when different reasonable bases are used. Section 8 considers the general principles governing whether technical methodology should be prescribed, drawing on the regulatory literature and on comparable regimes in financial services. Section 9 applies those principles to PODE work, describes the current position, and sets out our recommendations on Minimum Good Practice, defaults and accreditation.

6. Review of PODE reports

Five firms with IFoA-member PODEs each contributed at least two anonymised reports for us to review and one further firm provided their template report. The anonymised reports were dated from December 2024 to May 2025. We received further information from four firms setting out their assumptions in use in June 2026. We also spoke with a wider range of practitioners. In this section, we report on our more technical findings from that review.

Most, but not all, the reports we reviewed complied with PAG guide recommendations. Due to the small number of firms involved, we do not comment on the specifics of that here. However, our findings from this are reflected in our recommendations, in particular the proposed Minimum Good Practice set out in Appendix 6.

The range of reports we have seen is small and self-selecting, so we can only comment on the range of approaches being taken we have seen. Readers should not infer anything about the general range of approaches.

Charts 1, 2 and 3 show the range of assumptions in the anonymised reports we received with FTSE Actuaries Index data[23] for comparison. The charts do not include the further June 2026 information.

We made the following observations about financial and mortality assumptions:

- All PODEs stated or described their technical assumptions in their report. In some cases, only the numerical assumptions were stated. This is not likely to be an issue for end users, but it makes it challenging for an actuary to assess, or indeed identify, the underlying technical methodology used to arrive at those assumptions. This limited our ability to analyse how different PODE assumptions compare.

- The PAG guide Appendix Q supplies a starting point for a PODE technical basis. We have seen no examples of PODEs using this directly. When asked about this, some PODEs explained that, while they are careful to follow PAG guidance, this is described in the PAG guide as a starting point and they choose to depart. This is discussed further in Section 9.

- Most PODEs did not comment on the quantitative impact of any material judgements, or whether they considered the choice of basis to be a material judgement.

- **Post-retirement assumptions:** To arrive at capital values of DB pensions, some PODEs used assumptions intended to reflect the income available from drawdown. It was more common to use methods intended to reflect the cost of annuitisation. Most PODEs used actual market annuity rates[24] to calculate capital values of pensions in payment. Where those pensions in payment are indexed, some PODEs used RPI or LPI annuity rates (with an adjustment to instead reflect CPI, if applicable). Others used an interpolation of level and fixed-increase annuity rates corresponding to their own assumption for average LPI, CPI or RPI increases, generally plus a risk premium. This indicates three main areas of variability between post-retirement assumptions:

[23] ESCOE British Government Securities database: https://www.escoe.ac.uk/research/historical-data/fiscal-data/

[24] Either (i) directly as a quotation or from a tool such as Money Helper (https://www.moneyhelper.org.uk/en/pensions-and-retirement/taking-your-pension/compare-annuities) or (ii) by using an internal model calibrated to replicate annuity prices.

1. **Drawdown assumptions vs annuity rates:** Where PODEs used drawdown assumptions, we saw examples of the PODE stating what the impact would be of using the annuity method instead. The choice of annuity vs drawdown methods did not necessarily make a large difference in the reports at the dates we saw. However, it is a significant point of principle and could certainly make a significant difference depending on market conditions and the specific PODE's assumptions.

2. **RPI annuity (with adjustment to CPI if applicable) vs interpolation of level and fixed-increase:** These two approaches may result in different capital values. To illustrate, we note:

    a. If the interpolation method uses the difference between fixed-interest and index-linked bond yields, then the difference in capital values between the two approaches would have been broadly **0 to 13%** over the past few years. Under this approach, the RPI assumption used in interpolation effectively includes the bond market's inflation risk premium.

    b. If the PODE uses a fixed inflation assumption, then the difference between the methods depends on how that inflation assumption is set and how regularly it is reviewed.

        i. For example, if a fixed long-term RPI assumption of 3.1% (including assumed risk premium) were used over the past few years, the difference between approaches may have been broadly **0 to 17%**.

        ii. If a fixed long-term assumption of 2.7% (excluding assumed risk premium) were used over the past few years, this may have been between **5% and 22%.**

3. **RPI vs CPI gaps:** We saw a wide range of different RPI-CPI gaps from 0.1% to 1.0% a year in different PODE reports. This means that capital values of CPI benefits might differ materially between PODEs, say by **around 15%**.

- **Pre-retirement assumptions:** To derive a capital value of deferred benefits, PODEs generally took their post-retirement method and applied a discount factor net of increases and expenses. We noted the following points of variability:

    1. **Discount rate net of CPI** The discount rates net of CPI and expenses were reasonably consistent between PODE reports in our sample, meaning that assessed capital values of deferred public service benefits would be broadly as consistent between PODEs as public service benefits in payment. However, in the June 2026 figures we received, the lowest discount rate net of CPI and expenses was 1.85% a year and the highest was 3.25%. For parties, say, 20 years from retirement this could lead to differences of **around one third** between capital values calculated by different PODEs. At the time of writing, the SCAPE discount rate used to calculate public service CEVs is 2% a year net of CPI, so lies within the range of PODE assumptions (although the allowance for spouse pensions in CEVs means that CEVs are likely to be towards the high side compared to capital values calculated using the PODE methods we have seen). Larger differences may, of course, emerge again in future.

    2. **Nominal discount rates and rates net of RPI** Despite the relatively modest differences in discount rate assumptions net of CPI in the reports (but not the June 2026 data), there was a relatively wide range of nominal discount rate assumptions (differences of up to 1.4% a year) and assumptions net of RPI (differences of up to 1.25% a year). The June 2026 information also showed a 1.25% range. For parties, say, 20 years from retirement this could lead to differences of **around 28%** between capital values calculated by different PODEs.

3. **Future changes in annuity prices** Most PODE reports in our sample did not make any allowance for forward rates or mortality improvements when using market prices for immediate annuities. For a member who is, for example, 20 years from retirement, allowing for mortality improvements might increase the assessed capital value by **around 5%.** We did not assess the impact of allowing for forward rates.

When comparing the overall approaches of different PODEs, the differences noted above may act in the same or opposite directions depending on the mix of approaches used by each PODE. So the overall difference could be smaller or larger than any of the individual differences listed above.

For sharing calculations (equality of income or capital) where an internal share is available, differences in absolute capital values will generally not make a significant difference to the outcome since they will be consistent between the two parties, especially if ages are similar. However, any differences in capital value methodologies do directly affect offsetting figures. They may also make a significant difference to external shares since one approach will be further away from the underlying CEV.

The working party did not feel able to recommend consensus technical assumptions or guidance for deriving them. However, the working party does make the following recommendations:

Recommendation: *Assumptions for the RPI-CPI gap should reflect the announced alignment of RPI with CPIH from 2030 onwards. Evidence for any significant gap between CPIH and CPI is limited. In particular, there is no formula gap between CPI and CPIH, although CPIH differs in its components. As such, a reasonable assumption for the RPI-CPI gap from 2030 would be relatively small. PODEs should note that the FCA basis set out in PAG has been updated (including the RPI-CPI gap).*

While it is clear, in the view of the working party, that assumptions for the RPI-CPI gap must be reviewed, there is a risk that this has the unintended consequence of divergence in assumptions net of CPI. It is beyond the scope of the current working party to influence this.

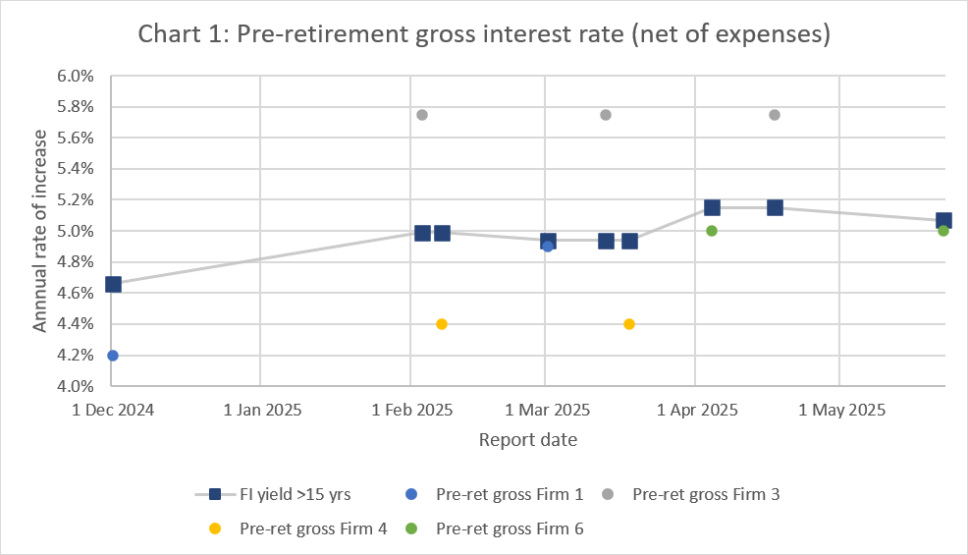
Noting Family Procedure Rules regarding the range of opinion[25] we recommend:

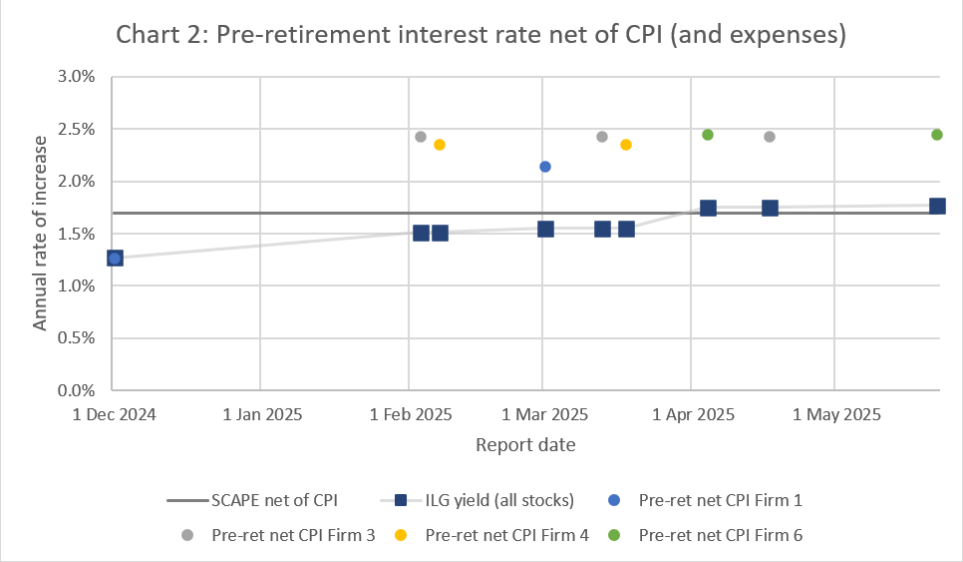
Recommendation: *PODEs should make users aware that different reasonable methods could lead to capital values that vary by a significant amount. PODEs should note to users that this range could be significantly larger for younger parties than for parties whose pensions are in payment. Where parties have not yet retired, PODEs should consider the Statutory Money Purchase Illustration assumptions, or another suitable benchmark, to show whether their own pre-retirement investment return assumption is high return/risk or low return/risk compared to other assumptions that might be used. Where material, PODEs should consider giving a quantitative indication of how the report results would change if different assumptions were instead used.*

The motivation for this recommendation is that we have seen examples of difference in assumptions that are material, especially in respect of the pre-retirement investment assumption. There is a balance to be found between providing sufficient information to the user and increasing the cost or complexity of reports. Therefore, we propose that an allowance for the range of pre-retirement assumptions should be made, but that it should be limited and pragmatic. Possibly, a standard set of figures might be made available, but this would require further work beyond the scope of this working party and PODEs felt that this could indirectly lead to standardisation which they are opposed to. Instead, we propose that PODEs consider SMPI or another suitable benchmark.

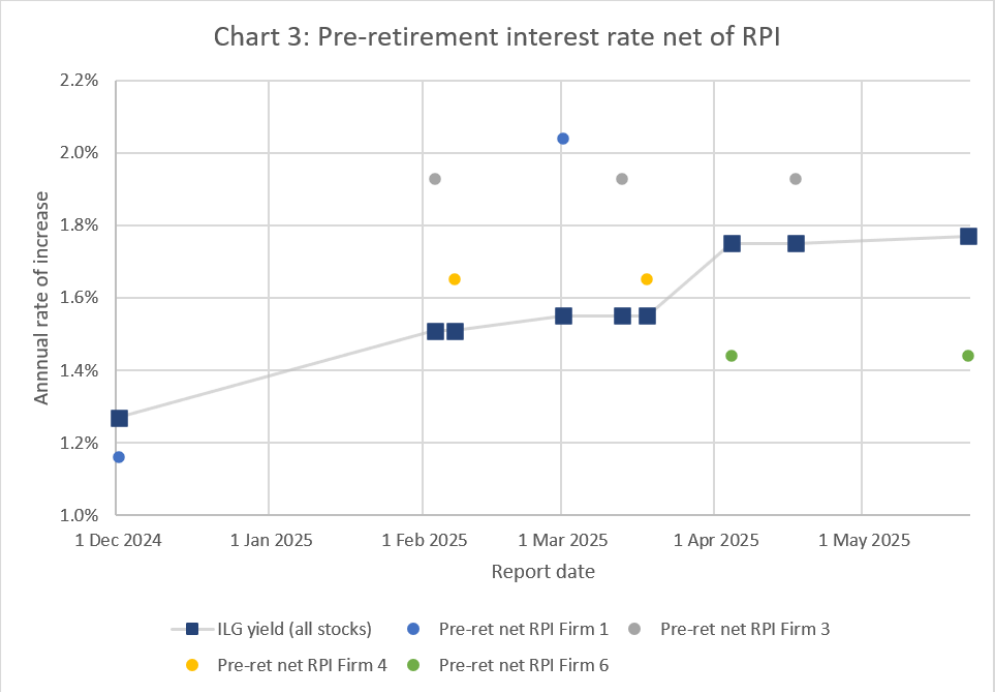
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[25] FPR PD25B - para 9.1:
"(g) where there is a range of opinion on any question to be answered by the expert –
(i) summarise the range of opinion;
(ii) identify and explain, within the range of opinions, any 'unknown cause', whether arising from the facts of the case (for example, because there is too little information to form a scientific opinion) or from limited experience or lack of research, peer





review or support in the relevant field of expertise;
(iii) give reasons for any opinion expressed: the use of a balance sheet approach to the factors that support or undermine an opinion can be of great assistance to the court;"
https://www.justice.gov.uk/courts/procedure-rules/family/practice_directions/practice-direction-25b-the-duties-of-an-expert-the-experts-report-and-arrangements-for-an-expert-to-attend-court


Chart 3: Pre-retirement interest rate net of RPI
2.2%
2.0%
1.8%
1.6%
1.4%
1.2%
1.0%
Annnual rate of increase
1 Dec 2024
1 Jan 2025
1 Feb 2025
1 Mar 2025
1 Apr 2025
1 May 2025
Report date
ILG yield (all stocks)
Pre-ret net RPI Firm 1
Pre-ret net RPI Firm 3
Pre-ret net RPI Firm 4
Pre-ret net RPI Firm 6

7. Quantitative Analysis

To understand the range of impact of using different financial assumptions for PODE work, we analysed what the outcome might have been of two hypothetical scenarios based on market data for the past few years.

As discussed in Section 9, the working party is unable to recommend a standardised financial basis for all PODE work. As such, we have limited the scope of the analysis in this section. The analysis still provides some insight into the level of accuracy it is appropriate to target in PODE work and the degree of pragmatism users might reasonably apply when using the results.

7.1 Methodology and assumptions

We considered two simple scenarios where there is only one pension involved and only an external share is available:

- Scenario 1: Member and spouse both aged 65. £10k pension in payment, RPI increases.
- Scenario 2: Member aged 55, spouse aged 50. A deferred pension with normal pension age 65. £10k pension, £30k lump sum, RPI increases before and after retirement.

For each of these, we calculated the gross offsetting value and the pension share which would be required for equality of income, under different bases.

We considered the following financial bases:

1. **PAG guide Appendix Q** The basis is taken from the Financial Conduct Authority (FCA) Transfer Value Comparator (TVC) basis, which has since been updated by the FCA. We have used the updated basis rather than the version quoted in PAG. Footnotes in the PAG guide note some suggested adjustments, in particular substitution of a pre-retirement discount rate based on a balanced portfolio. For the purpose of this analysis, we have used the unadjusted FCA basis, since there is more than one way that an alternative pre-retirement discount rate could be chosen. Appendix Q of the PAG guide is recommended by the guide as a "starting point"[26] for PODE work. The unadjusted FCA basis is used by Independent Advisors to advise individuals on whether it is in their best interests to transfer out of a defined benefit scheme. Therefore, it is set specifically for the purpose of comparing defined benefit and defined contribution pensions where the default position is that the member should not transfer out of a DB scheme. The specific assumptions used were:
    a. Post-retirement:
        i. Net discount rate for annuity price based on FTSE Actuaries index-linked yield (Over 5 years; average of 0% and 5%) minus 0.5%
        ii. Annuity purchase expenses 4% of annuity price

[26] As discussed in Section 6, the PODEs we spoke to do not use this basis. Instead, they considered it before deciding to use their own approaches.

b. Pre-retirement (Scenario 2 only):

    i. RPI 3% a year

    ii. Gross discount rate FTSE Actuaries 10-15 year fixed interest yield

    iii. Expenses 0.4% a year

2. **RPI annuity prices.** Many PODEs use actual annuity prices to calculate the capital value of pensions in payment. For indexed benefits, some used RPI annuity prices, others interpolate flat increases to match their corresponding increase assumption. Those we've seen that use immediate annuity prices to value deferred benefits allow for discounting but don't allow for forward rates or mortality improvements. The specific assumptions used were:

    a. Capital value of an immediate RPI-indexed pension from age 65: Moneyfacts Group average single-life £50k RPI-linked annuity rate for the closest historic date available.

    b. Capital value of a deferred RPI-linked pension from 65: As above, but discounted for the period to 65 using the FTSE Actuaries index-linked yield (Over 15 years; average of 0% and 5%.)

3. **Statutory Money Purchase Illustration (SMPI) basis (adapted, Scenario 2 only).** It is reasonable to consider whether SMPI is suitable for PODE calculations. SMPI is consistent with the forthcoming dashboards and members will be able to view their projected income on this basis. Recent versions of the technical guidance AS TM1[27] do not specify assumptions that can be used for calculating the value of an indexed pension[28]. Therefore, we go back to v4.2 for a suitable post-retirement assumption. This is the same as the FCA TVC basis, so we do not consider Scenario 1. We take the pre-retirement assumptions from volatility group 2 and 3 of the version of the guidance in force at the calculation date and show the result for each.

    a. Post retirement: As FCA TVC basis.

    b. Pre-retirement:

        i. Expenses 1% a year

        ii. Gross discount rate

            1. Volatility group 2: 3% or 4% a year depending on calculation date

            2. Volatility group 3: 5% or 6% a year depending on calculation date

        iii. Inflation (RPI) 2.5% a year

For simplicity, we used the same mortality throughout[29]. We used an equalisation age of 65 and assumed zero mortality before age 65.

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[27] AS TM1: https://www.frc.org.uk/library/standards-codes-policy/actuarial/actuarial-standard-technical-memorandum-as-tm1/

[28] They assume DC members will purchase a level annuity. The dashboards will effectively show the real income in the first year of a pension being payment. There is not (quantitative) distinction between a flat and increasing pension in retirement.

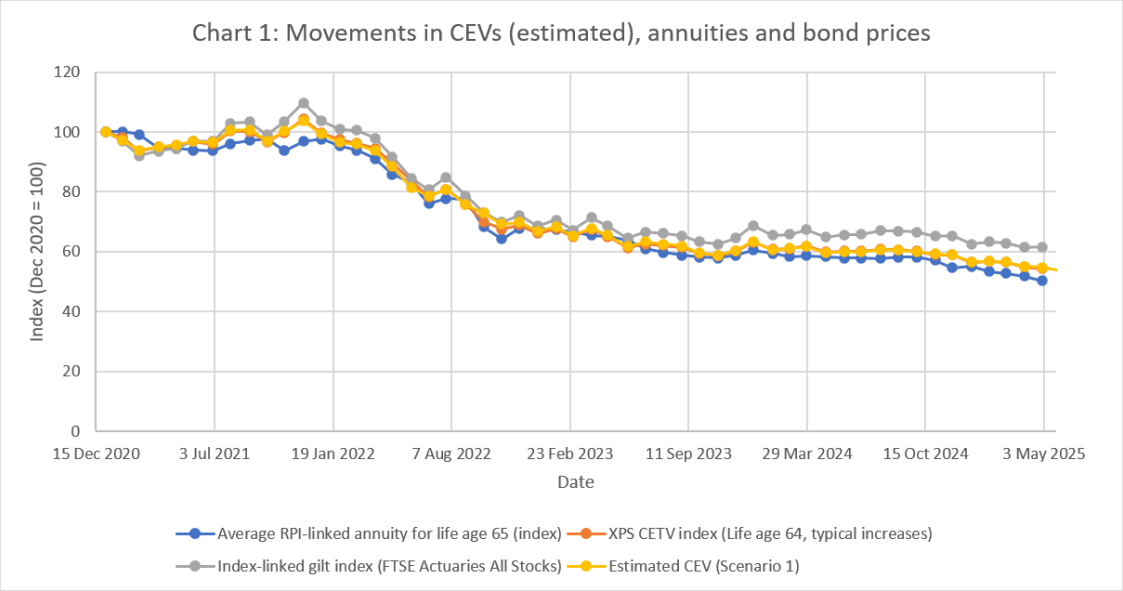
[29] No mortality before retirement. Post-retirement, we used the statutory money purchase illustration tables for 2025-26: https://www.actuaries.org.uk/learn-and-develop/continuous-mortality-investigation/other-cmi-outputs/unisex-rates-0

Pseudo-CEVs

For the purpose of calculating external shares, we needed an estimate of Cash Equivalent Values over time. There is a wide range of CEV bases across different schemes and the results will be sensitive to the actual CEV. For our purposes, we used an illustrative CEV basis[30].

a. Discount rate pre and post-retirement: The FTSE Actuaries Index-Linked yield (over 15 years, average of 0% and 5%) plus 0.5%
b. Benefits and demographics: 50% spouse benefit, 80% proportion married, 3 year age difference. Mortality: Tables as in all three of the bases above, using the average of male and female values.

Chart 1 shows how our estimated CEV for Scenario 1 compares to movements in market data. It also shows movements in the XPS Transfer Value Index Tracker, which uses a slightly different age and benefits[31].

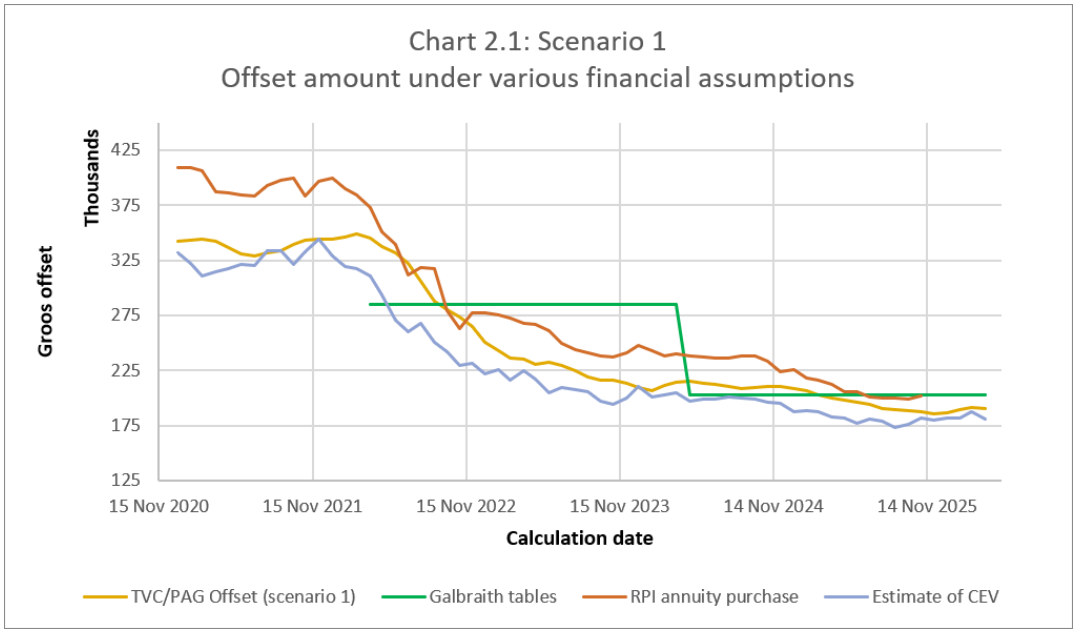


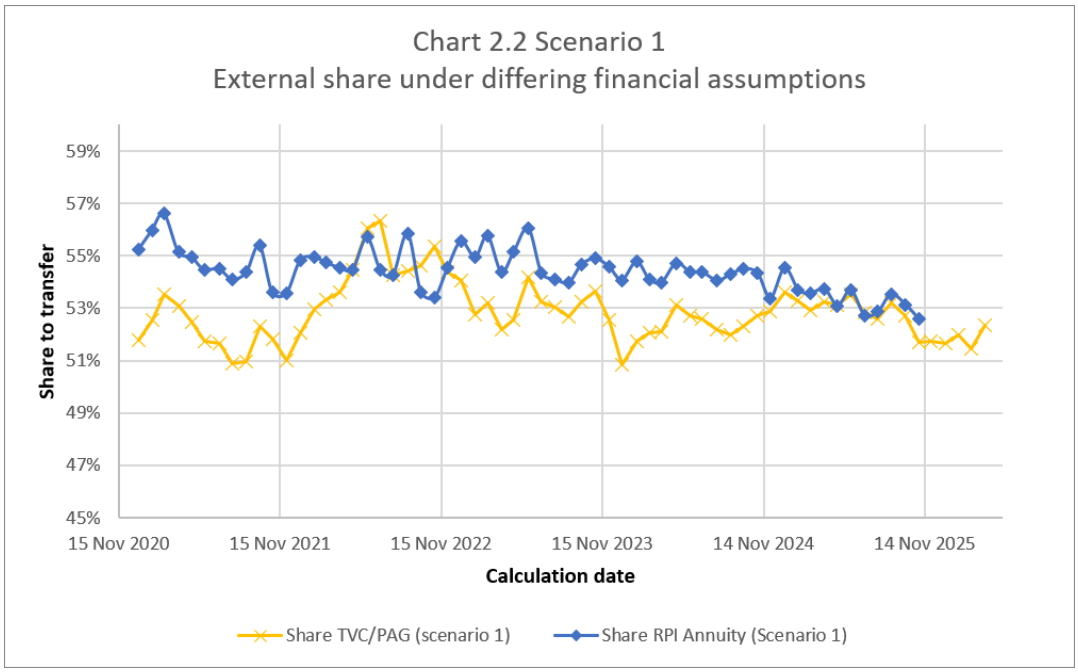
7.2 Results

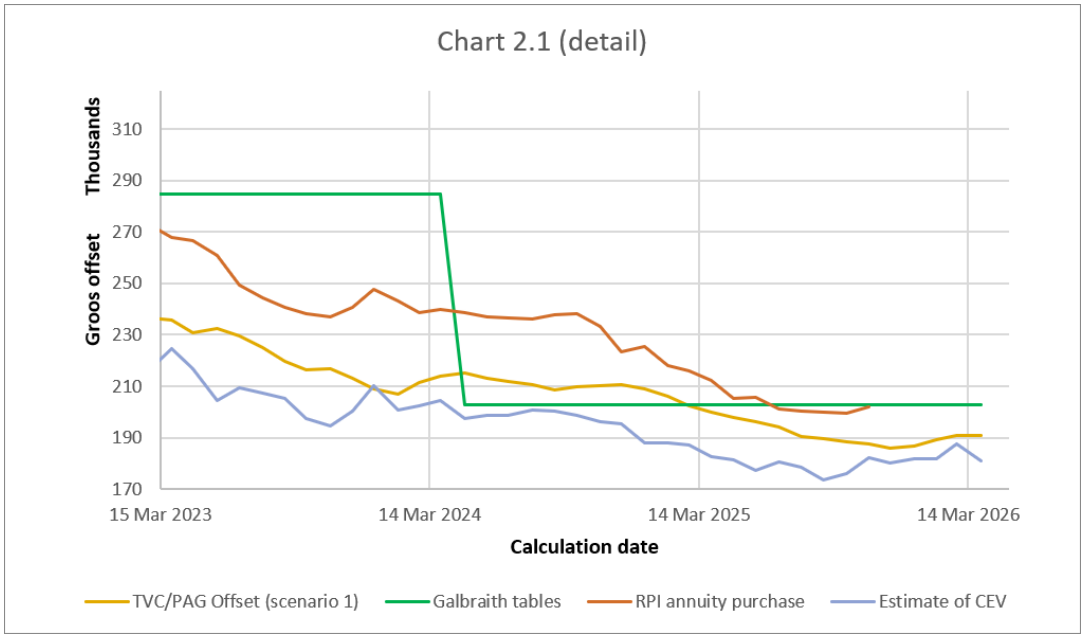
Alongside the offsetting results from the three bases described above, we also show values based on the Galbraith Tables most recently published at the date shown. Note that these apply to benefits which increase with CPI, so are not directly comparable. However, we are aware that some (non-PODE) users might apply the Galbraith tables even where benefits increase with RPI.

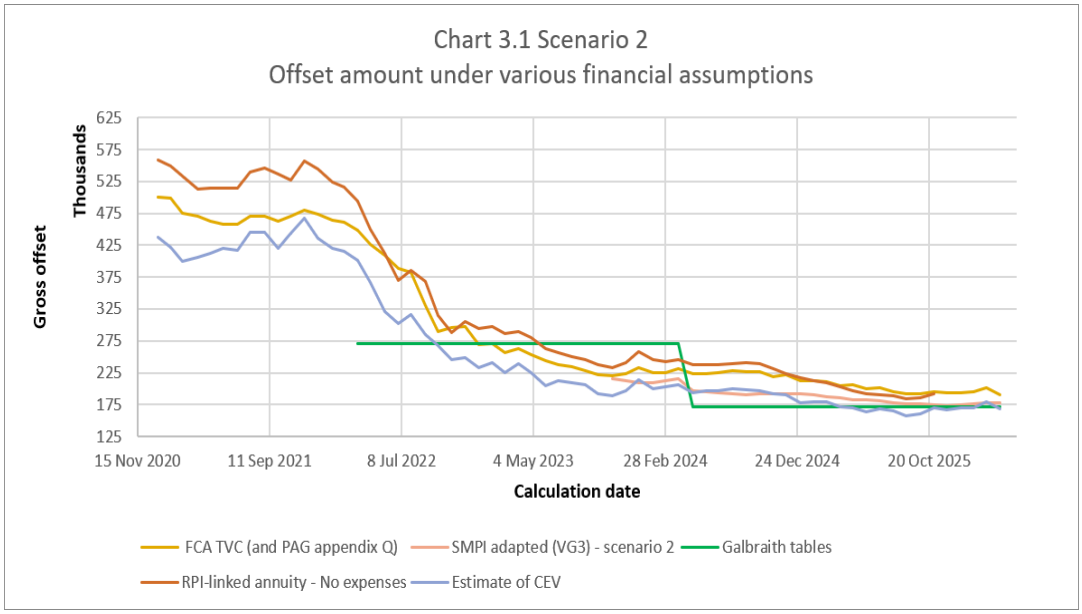
[30] We considered the Single Equivalent Discount Rates reported in the Pension Regulator's Occupational defined benefit scheme funding analysis: https://www.thepensionsregulator.gov.uk/en/document-library/research-and-analysis/occupational-defined-benefit-scheme-funding-analysis-2025/occupational-defined-benefit-scheme-funding-analysis-2025-annex#discount

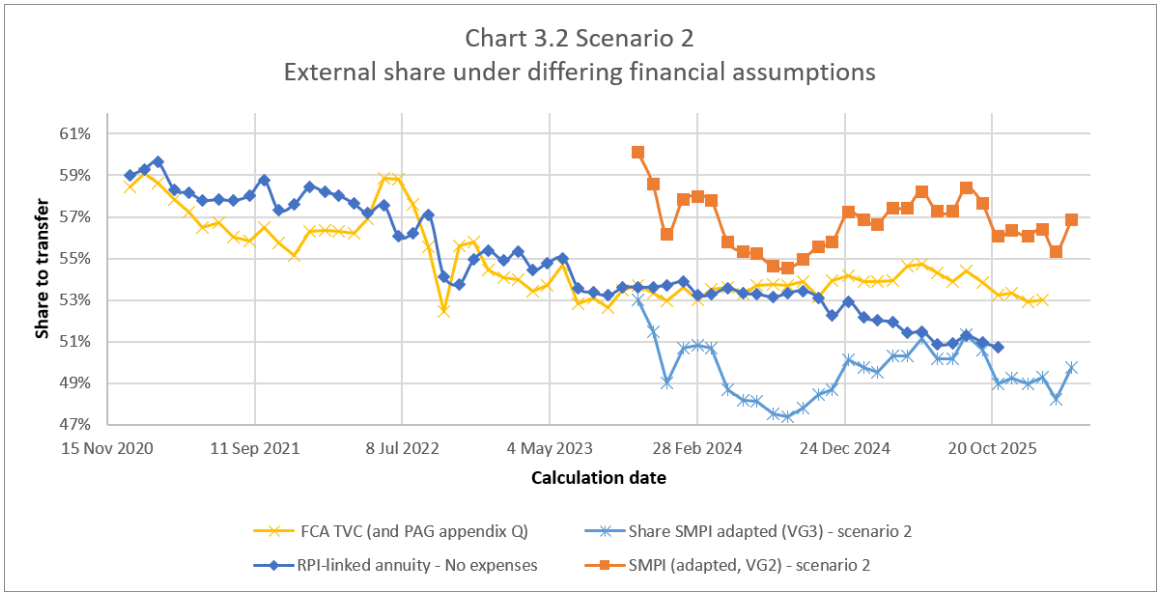
[31] https://www.xpsgroup.com/what-we-do/technology-and-trackers/xps-transfer-watch/xps-transfer-value-tracker/

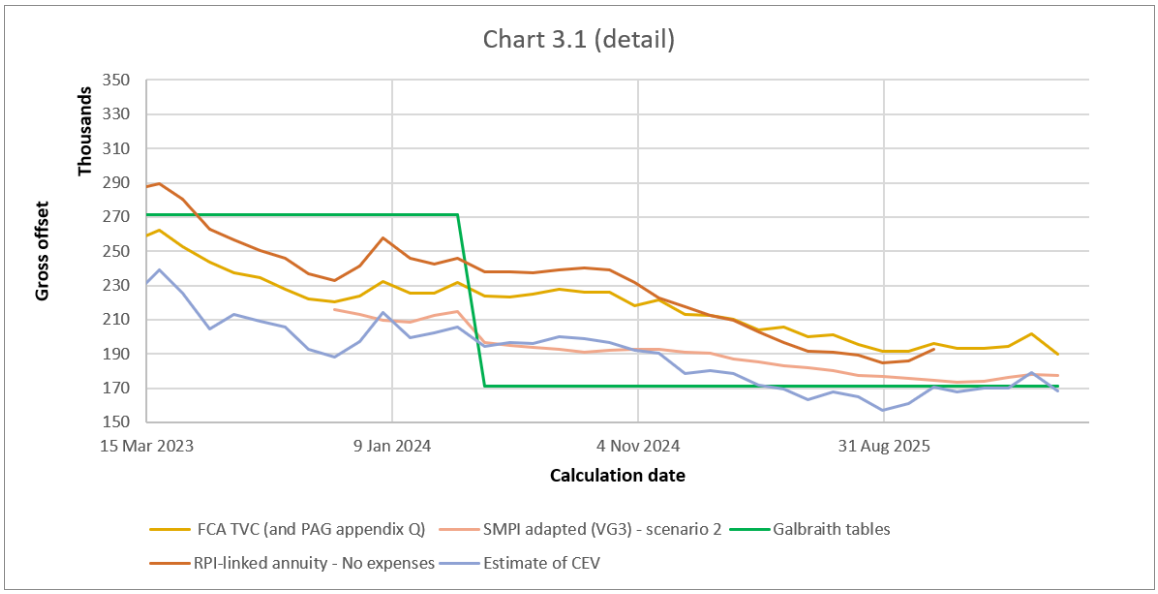

Chart 2.1: Scenario 1
Offset amount under various financial assumptions
Groos offset
Thousands
425
375
325
275
225
175
125
15 Nov 2020
15 Nov 2021
15 Nov 2022
15 Nov 2023
14 Nov 2024
14 Nov 2025
Calculation date
TVC/PAG Offset (scenario 1)
Galbraith tables
RPI annuity purchase
Estimate of CEV


Chart 2.2 Scenario 1
External share under differing financial assumptions
Share to transfer
59%
57%
55%
53%
51%
49%
47%
45%
15 Nov 2020
15 Nov 2021
15 Nov 2022
15 Nov 2023
14 Nov 2024
14 Nov 2025
Calculation date
Share TVC/PAG (scenario 1)
Share RPI Annuity (Scenario 1)


Chart 2.1 (detail)
Thousands
Groos offset
310
290
270
250
230
210
190
170
15 Mar 2023
14 Mar 2024
14 Mar 2025
14 Mar 2026
Calculation date
TVC/PAG Offset (scenario 1)
Galbraith tables
RPI annuity purchase
Estimate of CEV


Chart 3.1 Scenario 2
Offset amount under various financial assumptions
Thousands
Gross offset
625
575
525
475
425
375
325
275
225
175
125
15 Nov 2020
11 Sep 2021
8 Jul 2022
4 May 2023
28 Feb 2024
24 Dec 2024
20 Oct 2025
Calculation date
FCA TVC (and PAG appendix Q)
SMPI adapted (VG3) - scenario 2
Galbraith tables
RPI-linked annuity - No expenses
Estimate of CEV





7.3 Conclusions

Our analysis in this section is limited in scope. In particular, the range of different CEVs seen in practice would lead to significantly different results in individual cases than we have set out here, as would different scenarios featuring types or numbers of pensions or different ages. The sets of financial assumptions we have selected are intended as examples of bases that PODEs might consider reasonable, either because we have seen them in use by PODEs or because they are prescribed by an authority for related work. The working party has not formed any view on whether any of these bases should or should not be used by PODEs. We note that:

- Even post-PAG, we have seen a significant range of possible outcomes for offsetting values at a point in time as already described in Section 6. Under the different sets of assumptions in this section, we also see how offsetting values and shares might plausibly change over time for the scenarios considered. Differences between the offsetting results calculated on these different financial bases ranged up to about 20% over the time period considered and were typically around 11%.

- Using a regularly updated market-related basis is essential. If not, external shares may be volatile and disconnected from market costs. For example, CEVs measured by the XPS Transfer Value Index Tracker and our own CEV estimates fell by 45-61% over the period we considered. If a PODE's capital value remained constant while CEVs dropped by 50%, then – all else being equal – a recommended 50% external share would become a recommended 66% share. On the other hand, if the PODE's capital value also reduced by a similar proportion to the CEV, then the recommended external share percentage would remain broadly constant. This is an extreme example and we are not suggesting that any PODE would have left their basis unchanged for 5 years and during major changes in market conditions. However, it illustrates the importance of market-related assumptions.
    - A further example, albeit for offsetting, is that the Galbraith tables showed a significant gap during the period when they were waiting to be updated. (Charts 2.1 and 3.1.)
- Differences in external share percentages arising from the different sets of financial assumptions considered in this section are often significantly smaller than differences for capital values provided both the PODE's basis and the CEV basis are market-related. If that is the case, then calculated shares (for equality of income) are more stable when market conditions change. However, different choices of basis can still result in external shares several percentage points different from each other.
    - While the external shares in these examples are more stable than offsetting results, it should not be inferred that will generally be the case. If the nature of the parties' pensions are different (private sector DB, public sector DB or DC), then sharing results may still change significantly.
    - The two SMPI bases shown on Chart 3.2 are very far apart from each other, with a gap of around 7 percentage points between the implied pension shares. This is because they use pre-retirement discount rates that are 2% a year different from each other. The results are also volatile because the pre-retirement discount rates are fixed over time.

The majority of the analysis in this section was produced to support consideration of candidates for a standardised financial basis for all PODE work, and was curtailed when it became clear that the working party would be unable to recommend that. However, we are able to make the following recommendation:

Recommendation: *All PODEs should use of market-related financial assumptions which are regularly updated.*

8. The Principles of Technical Standardisation

Our users usually know whether they find an actuarial report clear and readable, but they cannot necessarily judge the underlying quality of the technical content for themselves. Any actuary with non-actuary clients or end users will be familiar with this dynamic. In the economics literature, this is called a credence good[32].

Where users cannot assess quality, they cannot reward it. Competition therefore operates on the characteristics users can observe, such as price, speed, presentation and responsiveness, rather than on the quality of the underlying judgement. A provider who invests in that quality does not necessarily gain a commercial advantage from doing so, and a user who receives weaker work may never discover it. This is a structural feature of the market, not a criticism of practitioners.

This information asymmetry can lead to the need for some source of assurance other than the user's own judgement. Users of actuarial information provided by an IFoA member rely in large part on the actuary's status as a skilled, regulated professional to know that the methodology will be sound.

In this section and the next, we are concerned mainly with a narrow aspect of regulation or coordination: The extent to which the technical methodology and assumptions used in PODE calculations should be standardised. For some purposes, technical methodology may be fully prescribed and the user relies primarily on the professional's competence in execution and communication, not their individual judgement. Standardisation does not necessarily arise through regulation but may come about through coordination between practitioners.

Standardisation is far from the only response to this kind of information asymmetry, nor is addressing information asymmetry its only purpose. Other features of a market that may address information asymmetry include competition, reputation, liability, separation of roles, and accreditation.

The trade-off between individual judgement and prescription is a deeply felt and nuanced issue in any learned profession. Before moving on to our findings, we consider the principles underlying standardisation of PODEs' technical work. In this section, we discuss the underlying principles of prescription in very general terms. In the following section (Section 9), we discuss how those principles apply to PODE work. In that section, we also make limited comments on wider issues such as qualifications and accreditation.

8.1 How technical methods differ between PODEs

In general, where experts have the freedom to select their own technical methodology, there are two reasons that methodology varies:

- **Reason 1**: Methodology varies according to the circumstances of the case
- **Reason 2**: Methodology reflects the expert's house view

From a regulatory perspective, it may be difficult to separate these two. If, for example, a regulator wished to allow judgement-based variation based on Reason 1, then variation arising from Reason 2 may prove to be part-and-parcel of this.

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[32] Credence good: A product whose quality the consumer cannot judge even after receiving it, or only in limited respects. This is contrasted with a search good where the quality is clear before purchase and an experience good where the quality is only clear after it is used for some period of time. The concept originates with M R Darby and E Karni, "Free Competition and the Optimal Amount of Fraud" (1973) 16 Journal of Law and Economics 67; for a survey see U Dulleck and R Kerschbamer, "On Doctors, Mechanics, and Computer Specialists: The Economics of Credence Goods" (2006) 44 Journal of Economic Literature 5.

In the context of pensions on divorce, we are largely concerned with Reason 2. PODEs do, of course, reflect the circumstances of the case as provided in data for dates of birth and pensions, and they may allow for likely actual retirement dates where this is compatible with, or required by, the letter of instruction.

However, we have seen no evidence that experts significantly vary their underlying house technical methodology, such as mortality tables and financial assumptions, according to the circumstances of a particular case. Nor do we think they should. This is generally consistent with the guidance provided in PAG which does not seem to envision changing such assumptions from case-to-case based on individual circumstances.

There is, however, variation between experts in their house methodology. In this section, we discuss how this fits into models for regulation.

8.2 When methodology is prescribed

We can distinguish between three broad categories of methodology and assumptions for technical work:

- **Category 1 (Prescribed methodology):** Methodology and assumptions which are fully specified, or a deterministic procedure is given to derive them from data.
- **Category 2 (Expert-selected methodology):** General objectives or principles are specified, leaving the expert to use their judgement to select and justify the methodology and assumptions.
- **Category 3 (Default methodology with permitted departure):** As Category 1, but with full or partial expert discretion to depart in line with their judgement if they identify suitable reasons to do so.

Each of the three categories is suitable for different contexts and each comes with advantages and disadvantages. Some actuarial work will use exclusively Category 2 methodology and assumptions, but most actuarial work features a mix. Methodology and assumptions are scarcely ever exclusively Category 1.

An actuary preparing a Statutory Money Purchase Illustration works to a prescribed accumulation rate and annuity derivation (Category 1), but exercises judgement about data, communication and the treatment of unusual benefit structures (Category 2). The question is therefore not whether PODE work as a whole should be prescribed, but whether any particular elements of it are suitable candidates for prescription or for a default, and if so which.

Examples of broadly Category 1 methodology in financial services include:

- Statutory Money Purchase Illustrations (SMPI) methodology set by the Financial Reporting Council (FRC)
- Pension dashboard benefit illustrations methodology set by the Pensions Regulator to be consistent with Statutory Money Purchase Illustrations
- Transfer Value Comparator calculation methodology set by the Financial Conduct Authority
- Pension transfer redress calculation methodology set by the Financial Conduct Authority

- The Personal Injury Discount Rate set in England and Wales by the Lord Chancellor[33]

Category 1 examples typically arise in contexts where the users are non-expert (or expert in a different domain), users/cases are numerous, consumer appetite or capacity to pay for advice tends to be relatively limited, or where strict consistency of results between cases is prioritised. It may be appropriate where there is no transaction involved, simplification or approximation is considered appropriate, where the matter being regulated is straightforward to define or there are a limited number of scenarios.

In the absence of specific additional requirements, actuarial methodology falls into Category 2. The Financial Reporting Council (FRC) provides largely principles-based standards that do not prescribe the exact technical methodology. This operates in the context of accreditation, the protected Chartered Actuary designation, continuing professional development and a disciplinary scheme, all of which support a system of individual judgement for IFoA members. These requirements, of course, continue to apply even in Category 1 applications.

General actuarial standards appropriately leave substantial methodological judgement to actuaries because they apply across diverse work and purposes. A narrowly scoped standard can be more prescriptive if that is appropriate, say where the purpose, required outputs and relevant circumstances are sufficiently homogeneous.

The Scheme Actuary role in UK pensions funding is perhaps a salient example of a regulated actuarial role where historically the technical methodology has largely been Category 2, not (in most respects) prescriptive. In many situations, the assumptions are the responsibility of the pension scheme Trustees, but they must take advice from the actuary and the actuary must notify the Pensions Regulator if they consider the assumptions inconsistent or non-compliant.

Consequently, a variety of different methodological approaches are advised by Scheme Actuaries for both **Reason 1** (circumstances) and **Reason 2** (house views). Regulation of this work is based on:

- Accreditation of Scheme Actuaries via a Practising Certificate to confirm that they are IFoA members with suitable skills and sufficient relevant experience and subject to enhanced continuing professional development. This accreditation must be maintained and renewed.
- A framework of challenge and responsibility in which it is sometimes proportionate for the client, typically the Trustee, to commission substantive, bespoke advice and where they should have the skills or support to engage with the material judgements made.
- Oversight by the Pensions Regulator of the outcomes themselves, with the potential for the regulator to intervene on an individual scheme basis should it consider that to be appropriate.

Objectives, principles, and processes are set out by legislation and by the Pensions Regulator without prescription of the specific technical assumptions for most purposes. However, the 2024 Funding Code includes comprehensive guidance setting out a framework which, although not prescriptive, signals which methods of deriving assumptions the Pensions Regulator will consider acceptable.

In other words, it is a model based principally on regulation of individual experts and a wider framework of assurance, rather than prescription of methodology. This model reflects the typical size and sophistication of the users of the actuarial information in this case, that the cost of providing detailed, tailored advice is normally proportionate, and the practicality of central submission and review of diverse outputs by a regulator for a relatively manageable universe of users. Individual

[33] The discount rate is, of course, only a partial specification of the assumptions required. The Ogden Tables, set by an interdisciplinary working party and published by the Government Actuary's Department, fill in the remaining methodology and assumptions and provide factors. It is possible to depart from these.

circumstances of different pension schemes may also be very significantly different, highly complicated, and require differences in approach.

There are other actuarial roles, such as provision of corporate advice, which follow Category 2 methodology where the user is not necessarily expert.

Table 1 summarises how Category 1 and Category 2 compare in general terms. In practice, even where Category 1 applies, it would be normal to prescribe only selected aspects of the methodology.

Table 1: Typical characteristics of Category 1 vs Category 2

	Category 1 (Prescription)	Category 2 (Expert-set)
Fairness	Fair in the sense of consistent between cases. Any two similar cases will receive substantively the same advice. Depending on what is prescribed, there may be less scope to reflect individual circumstances.	Fair in the sense that it reflects individual circumstances. May also reflect the house views of the practitioner.
Judgement risk	Centralises risks associated with professional judgement since judgement is exercised by the rule-setter. Requires detailed knowledge by the rule-setters.	Professional judgement is localised with the practitioner for the case. There may be a wider range of judgments, but all should comply with principles in relevant standards. These judgements may converge as consistent practice emerges.
Timeliness and innovation	Rules may ossify if the rule-setter does not keep them up to date[34]. May be slower to reflect innovations. Out of date or obsolete approaches can cause significant problems such as the Minimum Funding Requirement for pension scheme funding.	May be more dynamic and should in principle always be up-to-date when the report is signed, subject to the practices of the individual expert. Permits a greater variety of practice, including innovation.
Communication	It is not normally necessary to communicate details of the prescribed methodology, which may be appropriate for non-expert users.	Any material judgements must normally be communicated to the user and the expert must take steps to ensure the user understands. This may be challenging or unrealistic with lay users.
Rogue experts	Prescription vs non-prescription has little effect on the existence of rogue experts, which is better addressed through accreditation. However, prescription does provide an objective test for non-compliance.	

[34] For example, the personal injury discount rate in England and Wales remained unchanged for 16 years before the introduction of the Civil Liability Act 2018. When updated, it moved from 2.5% a year to -0.75% a year (real). The Act introduced a mechanism for regular reviews and there have been two further updates since then.

	Category 1 (Prescription)	Category 2 (Expert-set)
Cost impacts on practitioners	One-off costs of moving to a prescribed methodology. There may be less work required to decide the scope of the advice, if the range of results are standardised, and less room for scope inflation. Costs of working with the regulator.	Costs of developing and maintaining in-house methodologies.
Regulatory costs	Development and maintenance of rules. Likely lighter monitoring of outcomes[35].	Monitoring of outcomes. Perhaps greater emphasis on accreditation and other regulatory aspects.
Implementation and ownership	Ideally requires coordination between bodies to set a single set of rules for all practitioners.	Somewhat more compatible with a range of professions being regulated by different bodies
Typical circumstances	• Users who cannot be assumed able to understand and engage with material judgements, either because they do not have the correct expertise or lack financial resources. • High-volume, homogeneous cases. • It is possible to distinguish between elements of methodology affected by individual circumstances and that which isn't. Prescription is then used only for the latter. • Does not operate in a regulatory silo. Wider principles-based standards and accreditation continue to apply.	• Users who are able, with support, to understand and engage with material judgements. • Strong, unified system of wider assurance, e.g. accreditation, discipline. Means to identify and remove rogue practitioners. • Complicated individual circumstances which affect the methodology, or it is difficult to identify which parts of the methodology should be influenced by individual circumstances • Possible and proportionate to regulate the outputs directly, not just the method.

[35] It does not eliminate this. For example, the FCA continue to monitor transfer advice.

Category 3 (Default methodology with permitted departure) is in some ways the best of each of Category 1 and Category 2, and in some ways the worst of each. Where practitioners adopt the default, this provides the advantages of Category 1, in particular consistency and the absence of any need for complicated communications which will not be understood. It has the advantage of Category 2 which is that the expert can override the default according to their individual judgement if they identify suitable reasons to do so.

However, Category 3 can also result in a levelling down of quality to a minimum standard or the default may simply be ignored.

In general, standardisation will only be adopted voluntarily if there is commercial imperative (e.g. it becomes a signifier of quality or provides some other marketing advantage) or a regulatory steer. Practitioners will sometimes accept a default as a form of self-regulation if there is a possibility that outside regulation will be imposed in the absence of effective self-regulation.[36]

The considerations in Table 1 above can be reduced to a small number of questions, which in our view are the ones worth asking about any candidate element of methodology. How homogeneous are the circumstances in which it is applied? How many cases are involved? How capable are the users of understanding and challenging the judgement? How much does the choice actually affect the answer? Are there other issues that are more important (i.e. proportionality in the context of the whole)? What other assurance is available if the judgement is wrong? And who would own and maintain the rule? What is the level of complexity of the issue being regulated? We do not suggest that these questions carry a single correct set of weights, and reasonable people will weigh them differently. The working party considered how to apply them to PODE work in Section 9.

One further consideration is impact on results. Differences in judgement between practitioners choosing Category 2 methodology produce various differences in outcome, so that comparable cases may be treated differently according to which expert happens to be instructed. In respect of any methodology which is instead Category 1, the same judgement is made once and applied to every case. So if the Category 1 judgement is not appropriate, the impact on results is systematic and it moves every case in the same direction. A reader whose principal concern is that comparable cases should be treated comparably will generally prefer methodology to fall into Category 1 where this is justifiable; a reader who lacks faith in a central rule-setter to choose an appropriate basis will be cautious about creating a single point of failure. Some of the disagreement recorded in Section 9 may reflect a difference in the weight given to these two concerns rather than any disagreement about the underlying facts.

In Section 9 we discuss how this framework applies to PODE work.

[36] This mechanism is described as “enforced self-regulation” in I Ayres and J Braithwaite, Responsive Regulation: Transcending the Deregulation Debate (Oxford University Press, 1992).

9. Technical prescription for PODE reports

The previous section set out the principles underpinning whether it is appropriate to standardise technical methodology. This section sets out the current position with regard to PODE reports, how PODE work fits into the models discussed in the previous section and makes recommendations regarding standardisation and accreditation.

9.1 The current status of technical prescription for PODE reports

As discussed in Section 2.2, the paper "Apples or Pears" (2015) revealed a wide range of offsetting results calculated by different actuary and non-actuary PODEs for the same hypothetical cases. At that time, there was no centralised guidance for PODE work and no authoritative steer for who could reliably be instructed as a PODE.

The PAG guide (2019, 2nd edition 2024) has much of the force of regulation. It was written by an interdisciplinary working group and has been endorsed by the President of the Family Division. There is a reasonable expectation that anyone working as a PODE will be familiar with its recommendations and will comply with them. Informed lawyers and mediators will check that any PODE they instruct states their compliance with the PAG guide. Litigants in Person[37] may also check this if they have thoroughly read the Advicenow lay person's guide to divorce. The Advicenow guide includes questions to ask when choosing a PODE[38].

The PAG guide covers a broad range of topics, including who is suitable to be instructed as a PODE. It recommends that all PODEs provide a statement of truth confirming that they meet a range of competencies specified by PAG. This statement requires all PODEs (not just IFoA members) to be familiar with actuarial standards such as TAS 100 and APS X2.

On the narrow topic of prescription of methodology and assumptions:

1. the PAG guide is definitive on some topics. For example:
    - That, for offsetting, the benefits to be valued are normally the actual benefits expected to be received, rather than the hypothetical benefits that would arise from a share[39]
    - That any adjustment for "utility" is a matter for the parties and the court, and not something on which the PODE should be expected to comment.
    - That, where pension assets are needed to meet needs, apportionment to the period of the relationship is rarely appropriate; but where apportionment is used, accrual runs from the start of seamless cohabitation rather than the date of marriage.
2. PAG is more permissive on other topics, providing guidance on what to take into account. For example:
    - The assumed retirement age and the age or date at which income is equalised, where the PAG guide sets out the factors to be taken into account rather than a single answer.
    - The method of apportionment where apportionment is appropriate: the PAG guide describes the straight-line, cash equivalent and deferred pension methods.

[37] Parties divorcing without the help of a lawyer.

[38] https://www.advicenow.org.uk/get-help/family-and-children/divorce-and-separation/pensions-and-divorce

[39] albeit noting that there are some cases where reference to the latter may be appropriate based upon the type of pension and the specifics of the instruction to the PODE

- Whether the benefits of a pension credit are assumed to be secured by annuity purchase or drawn down.

3. On mortality and financial assumptions, the PAG guide provides a "starting point" in its Appendix Q. This is based on the FCA basis for Transfer Value Comparator calculations with adjustments, in particular that the pre-retirement discount rate is based on a balanced portfolio.

Our sample of PODE reports by IFoA members demonstrated widespread compliance with the definitive recommendations (1) and consistency in most cases with the permissive recommendations (2). None of the PODE reports used the PAG guide Appendix Q basis in full. The PODEs we asked said that they had considered it as a starting point but had decided to use something different. We discuss the range of assumptions used in Section 6.

9.2 Comparison with scheme actuary work

The comparison between regulation of scheme actuary work and PODE work has been made in working party discussions. In PODE work, the instructing solicitors are professionals, but in a different discipline, and the parties themselves are usually lay users. The pension may well be the largest asset in the case, but the sum available to spend on expert advice is typically a small fraction of what a trustee board would spend on funding advice. In PODE work it is never proportionate to commission bespoke advice on methodology. In PODE work there is no regulator which receives and reviews PODE reports in the same way that the Pensions Regulator receives scheme valuations. In the majority of cases the PODE report is not tested by a second expert or scrutinised at a contested hearing.

PODE work and scheme actuary work each have their own particular areas of complexity. For PODE work, this may include unusual benefit structures, public service and overseas arrangements, and questions about the parties' likely retirement behaviour.

9.3 Application to PODE reports and methodological standardisation

Some of the elements of suitable regulation of PODEs are in place:

- PAG provided a comprehensive guide to PODE work. It permits a range of approaches on some matters, while also ensuring a level of good practice among practitioners who follow it. We note that the PAG guide has already moved many areas of PODE methodology significantly towards Category 3 (Defaults) from a pre-2019 position where there was a much wider range of practice.

- Chartered Actuary is a protected term only available to IFoA members - neither ex-members nor self-described "actuaries" can use it. The Chartered Actuary designation provides users with the assurance that the expert has an appropriate level of professional skill and is subject to professional standards and a disciplinary scheme. However, it does not extend to PODEs outside the IFoA. As PODE work is relatively niche in the context of the wider profession, Chartered Actuary status alone is not sufficient to imply that the expert would necessarily have the correct domain knowledge and experience to carry out PODE work. However, the regulatory requirements for a Chartered Actuary to "act honestly and with integrity" and to "carry out work competently and with care" reduces the risk of them holding themselves out to be a PODE when they are not appropriated qualified.

SJE PODEs' work is not FCA regulated advice. We are not aware of any instances where a PODE has been disciplined by a regulatory body other than the IFoA. This indicates a lack of any disciplinary accountability for non-IFoA PODEs, rather than a lack of problematic work. We are aware that some ex-actuaries have left the membership of the profession following IFoA regulatory

investigation but continue to provide PODE work. As such, there are gaps in the professional accountability of PODEs who are not IFoA members.

Our recommendations in this section relate mainly to technical prescription of PODE work. We also touch on accreditation of PODEs.

The working party was unanimous in the following recommendation:

Recommendation: *All PODEs should follow Minimum Good Practice for PODE work which includes:*

- *Use of market-related financial assumptions which are regularly updated.*
- *If any benefits are excluded from the PODE report, for example if they fall before the equalisation age, the report must make clear that they will not be reflected in the settlement unless a separate allowance is made.*
- *PODEs should adopt consistent terminology. We recommend "Independent Expert Value" (IEV) for PODE-calculated capital values.*

We have set out our view of Minimum Good Practice in Appendix 6. We encourage all PODEs to adopt this approach.

On the broader issue of accreditation, the majority of the working party support the following recommendation (regardless of any standardisation of methodology):

Recommendation (majority of the working party): *Accreditation of SJE PODEs should be enhanced. A certificate or practice module should be developed jointly by the IFoA and FCA for SJE PODEs to demonstrate competency. This will assist users in selecting a suitable SJE PODE. It will also help potential PODEs to assess whether they have the necessary competencies and develop them if not. This is consistent with the enhanced accreditation the IFoA raised in its response to the Ministry of Justice consultation. We propose that any enhanced accreditation should include periodic renewal and submission of a sample of work.*

A concern expressed was that there is no single regulator which would bind all PODEs to abide by the same standards, so accreditation would depend on the instructing parties or courts to enforce by requiring PODEs to hold (or be working towards) it as a condition of being instructed.

There were broadly two views within the working party about the question of methodological standardisation, as follows.

Pro-standardisation view

The pro-standardisation view, not endorsed by all of the working party, is as follows:

- Recommendations:
    - (Category 1) There should be a single, prescribed mortality basis and market-related financial basis.
    - (Category 3) The permissive PAG recommendations for other aspects of the methodology should be strengthened to provide a simple, minimalist set of defaults which would be suitable for the majority of cases.

- Reasoning:
    - Users are non-expert and it must be assumed that the typical user will not have the time, resources, or technical expertise to engage with material methodological judgments. In general, there is no value in communicating these judgements to users and it will obscure other information which can, and should, be engaged with by users.
    - The range of different possible technical assumptions is not tested by the courts. It has only been considered by PAG.
    - In some circumstances (as we have seen in Sections 6 and 7), there is a material difference between the outcomes based on different PODE bases. For example, different offsetting figures or capital values for younger individuals can still vary by one third. A one-third difference in capital values can transform a recommendation of a 50% share into a recommendation of a 60% share.
    - This work is high volume and consumer facing. It is homogeneous for the purpose of setting mortality and financial assumptions. In other words, there is no clear reason why the mortality and financial basis should vary according to individual case circumstances (aside from the calculation date). We have seen little evidence that PODEs ever vary these assumptions from case to case. However, they vary significantly between PODEs.
    - Cases are less homogeneous in respect of some other aspects of the methodology, in particular the choice of equalisation age and retirement age. For this reason, we propose defaults not prescription for these aspects of the methodology.
    - There is no central record of reports or settlements, and currently limited scope for a regulator to monitor the individual or overall quality of reports.
    - Supporters of this approach suggest that all parties gain from it (in the context of PODE work):
        - Users are not asked to make judgements they cannot reasonably be expected to make. And they are not presented with material they cannot reasonably be expected to understand.
        - PODEs are not placed in the invidious position where the Actuaries Code and TAS 100 appear to imply they should ensure users understand highly technical judgements.
        - Lawyers and shadow PODEs who must compare reports can dispense with one highly technical dimension of comparison.
        - Outcomes are more consistent between cases, hence fairer.
        - The differences between sets of assumptions are spurious in the context of wider inherent uncertainty of the results, such as movements in CEVs between calculation dates and settlement. A standard basis is an opportunity to simplify away from technically complicated approaches that are not proportionate in this context.

Standardisation-sceptic view:

The standardisation-sceptic view, put forward by all of the PODEs on the working party, is as follows:

- Recommendations:
  - There should be no prescription of technical methodology. Defaults for technical matters should not go significantly beyond what the PAG guide already provides
- Reasoning:
  - PODEs are independent witnesses and as such, just like experts who value property or a business, should have the freedom to select suitable methods and assumptions that they can justify if cross-examined in a court or private hearing. This requires those assumptions to be their own personal or house view.
  - Usually communicating technical methodological points such as financial and mortality assumptions will not be helpful but often it is important. There is already a requirement under TAS 100 and the PAG guide to set out enough information so a competent person can understand the material judgements made.
  - The pensions industry, in moving from the Minimum Funding Requirement to the Scheme Actuary regime in 2005, could be considered to have moved from Category 1 to Category 2 [40]. When the Pensions Act 2004 was passed, there were around 8,000 pension schemes, providing a precedent for Category 2 where there are a large number of users.
  - Pensions on divorce often involves several pension schemes of different types and several scenarios, or different individual circumstances, which means that it is highly preferable not to prescribe the financial and mortality basis. At least one PODE firm changes financial assumptions depending on the specifics of a case, albeit in a small proportion.
  - There are additional costs that are likely to be associated with providing calculations on a prescribed set of assumptions.
  - The real problems in the PODE market will not be addressed by standardisation, which would become a significant distraction.
  - As with any prescribed methodology, there is a risk of the methodology becoming stale over time. This may be higher if there is no fixed owner of the prescribed methodology. PAG and the Duxbury Working Party are examples in legal practice where working parties own methodology in the absence of any responsible authority.
  - Using a prescribed methodology creates a single point of failure. If the prescribed methodology is wrong, then it is wrong for everyone.
  - A prescribed method may become inappropriate if market conditions change significantly from those that prevailed at the time the method was established, even if the assumptions are framed as market related.

[40] Critics of this argument noted that the MFR was always just a minimum. There is no prescribed funding basis.

- Differences in external share percentages arising for different reasonable financial assumptions are often significantly smaller than differences for IEVs provided both the PODE's basis and the CEV basis are market related.

- The fact that results could change quickly after the calculation date due, for example, to volatility in a member's DC fund value (which will in any event happen between the hearing and when any pension share is implemented) undermines the appropriateness of prescribed assumptions which would provide spurious accuracy.

In the absence of any consensus on prescription and defaults, the working party is not able to recommend a single prescribed basis. Nor is it able to offer guidance on what bases may be appropriate. We do recommend a Minimum Good Practice guide, as discussed above, which covers some of the most important aspects of methodology. In addition, we recommend:

Recommendation: *There should be set of pragmatic, non-binding defaults for most cases, with accompanying guidance on when it is appropriate to depart from them. These defaults do not go significantly beyond the PAG guide in most respects. The defaults rely on expert judgement for where they will not be appropriate. See Appendix 7.*

9.4 Why not just use the CEV?

It is reasonable to ask, if the methodology for deriving the financial and mortality assumptions were to be standardised, could the standard method simply be the CEV? Or, even if the method is not standardised, has the CEV become a reasonable measure to choose from among those available to PODEs?

CEVs are a measure of capital value, so they tell us nothing about equality of income. A 50:50 split of CEVs will only result in income equalisation if (i) each CEV is accepted to be a reasonable (and sufficiently consistent) measure of capital value and (ii) each party is of a similar age. Therefore, CEVs do not generally help us with equality of income.

Where equality of capital is targeted or a capital value is required for offsetting, the question becomes whether the CEV is a reasonable IEV. For pure DC schemes, this is true and uncontentious. At the time of writing, based on the limited information we have seen, it is possible that public service CEVs will often lie between the lowest and highest IEVs that would be calculated by different PODEs. CEVs for private DB schemes are also increasingly consistent with the cost of achieving similar benefits privately. So, at the time of writing, the CEV may, at least sometimes, be a reasonable IEV. There are two main problems with using the CEV as an IEV:

- In the past, the CEV was generally unsuitable as an IEV. For that reason, considerable work was done in the PAG guide to create a norm that the CEV should not be used as an IEV[41]. The guide warns repeatedly that using the CEV as an IEV may produce misleading or unfair results, which was true. Using the CEV now would undermine this norm, making it difficult or impossible to re-establish in future if or when conditions change and the CEV becomes inappropriate.

- Even if some CEVs are currently suitable as an IEV, not all are, and only an expert will be able to say which are and which are not. Therefore, the suitability of some CEVs does not help to reduce the number of cases which require a PODE.

[41] The PAG guide paragraph 6.10 lists circumstances in which it was considered that a 50:50 split of CEVs might be appropriate.

There are further, more technical, issues with using CEVs as IEVs, or a 50:50 split of CEVs, such as inconsistency between CEVs in different schemes and the desirability of sharing the fewest pensions with the most advantageous terms. CEVs also do not reflect some relevant features of some schemes such as active retirement ages in the Police, Fire, and Armed Forces schemes.

9.5 Conclusions: Prescription and Regulation

We recommend enhanced accreditation for PODEs. In addition, we recommend Minimum Good Practice (Appendix 6) and a set of defaults (Appendix 7). In Appendix 8, we set out guidelines for applying these.

In Section 6 and Section 7, the working party found material variation in some circumstances. However, we did not reach agreement on whether that variation should be addressed by prescription. We regard the absence of a conclusion as a limitation of this working party rather than a finding that action is warranted or unwarranted.

Part 3: Wider issues

10. Data provision

In this *Section 10: Data provision*, we address the following findings from the thematic review:

- (Finding 16) Among the actuaries who took part in the review, we heard that the collection of data from pension schemes and providers is a major issue.
- (Finding 17) In a connected survey of lawyers, we heard a consistent view, with the timely collection of data being a bigger issue now than five years ago.

PODEs generally require information that is a subset of that of an IFA advising the pension scheme member as to whether or not to transfer as set out in FCA guidance FG21/3 (Annex 1)[42]. However, the information provided by pension scheme administrators is often inadequate for PODE requirements. In the experience of PODEs on the working party:

- Very few (if any) pension schemes provide information in the form recommended in FCA guidance (with member and scheme information combined). It may be that this guidance is being followed when there are specific scheme activities, such as liability management exercises, but rarely otherwise. Integrating member and scheme information can be result in significant work for administrators and, perhaps, their IT departments. Furthermore, the information in FCA guidance requires input from multiple sources - administrators, actuaries, covenant advisers and perhaps solicitors. This may be acting as a barrier to following FCA guidance.
- Some pension scheme administrators' deferred benefit statements do not appear to meet basic disclosure legislation requirements.

Information requests are often made by members or instructing solicitors, at least in the first instance and often before the PODE has been appointed. Some schemes/administrators refuse to deal with PODEs directly (even those with letters of authority) because:

- Most PODEs are not regulated by FCA (PODE reports are not a regulated activity).
- Pension scheme administrators are wary of pension scams.

Sometimes, administrators are prepared to share a "Scheme Information Form", which contains much of the required pension scheme benefit structure information. Anecdotally, where provided, these generally follow the Pension Administration Standards Association (PASA)'s original guidance whereby scheme and member information are provided in separate documents.

However, in the vast majority of cases no Scheme Information Form is provided. Many PODEs have standard information requests that would be largely met if FCA guidance or original PASA guidance is followed. However, administrators often provide "ad hoc" responses rather than following a standard process. Preparing this ad hoc response increases administrators' costs and the time taken to respond. It also increases the risks of error by the administrator and the PODE. This leads to inefficiencies on all sides and poor outcomes resulting from lack of a standard, getting the information to start with, follow-up questions, and differing expectations.

[42] https://www.fca.org.uk/publication/finalised-guidance/fg21-3.pdf

As part of the Working Party activities, a subgroup reached out to the Pensions Regulator, FCA and PASA. There is a general understanding that by working with PASA we can improve outcomes all round. The subgroup has made specific proposals to PASA with a view to developing them further with the Pensions Regulator and the FCA.

Understandably PASA has a number of other initiatives that it is currently working on, including transfers, where it is vital that there is consistency in approach. The working party is working with PASA and will continue to do so after the publication of this report.

11. Proposals for wider reform

We contributed to the IFoA response[43] to the Ministry of Justice consultation on "A fairer end to relationships"[44] on 14 August 2026. The Ministry of Justice set out proposals to codify and to clarify aspects of family law in England and Wales and to introduce financial remedies on separation of cohabitation. Among the proposals were the introduction of an explicit requirement to consider pensions on divorce and the introduction of pension sharing following the end of a cohabitating relationship.

The principal IFoA recommendations were:

- That the opportunity to make substantive improvements to the position on pensions should not be missed.
- The IFoA supports specific consideration of pensions before making a financial order on divorce but believe this does not go far enough. Pensions sharing should be a starting point. The response discusses relevant considerations for implementing this.
- In what circumstances to use, or not use, a Pensions on Divorce Expert (PODE) should be codified (albeit not through primary legislation). This should be accompanied by a system of enhanced regulation for PODEs.
- The Government should require or encourage internal sharing to be more widely available. Within defined benefit (DB) pension schemes, internal sharing will often produce significantly better outcomes for former spouses than external shares. However, internal sharing is often not an option in private sector DB schemes. Where it is available, it may be appropriate to establish that good practice is to provide an internal implementation quotation alongside Cash Equivalent Values for divorce.
- Agreement, in principle, that pension sharing should be available as a remedy on the breakdown of cohabiting relationships, but the IFoA urges the Government to recognise that significant technical, legislative and tax issues will need to be resolved before enactment of any new law.

The response also discusses the advantages and disadvantages of requiring implementation quotes by public service schemes. One point of view is that it is better for public service pension schemes not to make implementation quotes easily available. Instead, it is argued that members should pay a PODE to produce these figures so that they can be put into context and any risk of them being misapplied can be minimised.

An alternative point of view is that: (i) In the context of a public service pension scheme pension share, the CEV is no more than a technical calculation device. It is strange for regulations to require schemes to provide a CEV for the purpose of divorce - which is essentially meaningless to the parties - but for there to be no requirement to tell the parties what they would actually receive if a share were implemented. (ii) It should be relatively cost-effective and efficient for schemes to produce this information. It should not be a large addition to producing CEVs. (iii) There is a threshold below which it is not proportionate to commission a PODE report. Providing implementation quotes will be better than providing only CEVs.

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[43] https://actuaries.org.uk/document-library/thought-leadership/policy/consultations/2026/ifoa-response-to-ministry-of-justice-consultation-a-fairer-end-to-relationships/

[44] https://www.gov.uk/government/consultations/a-fairer-end-to-relationships/a-fairer-end-to-relationships-consultation-document

Part 4: Conclusions

12. Conclusions

This report addresses two main themes: how PODE reports are communicated and how the underlying technical work is done.

On communication, the working party was united and we think the case is clear. PODE reports are read by judges, lawyers and litigants who cannot reasonably be assumed to have the time or expertise to engage with the underlying technical content. A common structure for the part of the report on which they rely most will help them. The Template Summary at Appendix 3 is our principal output and we would like to see it in general use.

On technical methodology, we found a range of practice among PODEs and we have shown that this range can move outcomes materially: particularly for offsetting and external shares for parties a long way from retirement. We agreed that assumptions should be market-related and regularly updated; reports should be clear about any benefits excluded from them; terminology should be consistent; and the other elements of Minimum Good Practice at Appendix 6 should be followed. We did not agree on whether anything beyond that minimum should be standardised, and we have set out both views in Section 9 rather than smoothing over the difference.

On data, the difficulties are a source of cost, delay and error, and we believe the route to improvement runs through PASA and the scheme administration community.

Recommendations to other parties

- PODEs: We encourage PODEs to adopt the Template Summary and user guide (Appendices 2, 3 and 4); follow the Minimum Good Practice guide (Appendix 6); consider the defaults (Appendix 7) and be clear where they depart from them and PAG guidance; and make users aware that different reasonable methods can produce materially different figures. The MGP and defaults user guide (Appendix 8) sets out considerations for applying those documents.
- The IFoA and the FCA: We encourage the development of enhanced accreditation for single joint expert PODEs described in Section 9, including periodic renewal and the submission of a sample of work.
- Solicitors: We encourage solicitors to include in letters of instruction that the PODE uses the Template Summary and complies with the MGP and defaults.
- PAG: We hope this report is useful input to any future edition of the guide, particularly on terminology, on Minimum Good Practice, and on the Appendix Q starting point, which none of the PODEs in our sample had adopted.
- Pension schemes, administrators and PASA: We believe adopting a standard form of response to divorce information requests, so that PODEs and administrators are working to the same expectations, would assist with data provision.
- Government: We have contributed proposals to the IFoA's response to the Ministry of Justice consultation, summarised in Section 11.

Further work

We suggest the following areas for further work, whether by a successor working party or by others:

- A review of the Template Summary after around twelve months of use in practice.
- A wider and more systematic survey of PODE reports than we were able to undertake. Our sample was small and self-selecting, and readers should not draw inferences from it one way or another about the general range of practice.
- Continuation of the work with PASA on the provision of data.
- Whether a template for the full report, and not only the summary, would be proportionate once the Template Summary has bedded in.

The working party is grateful to all those who contributed. We hope this report is useful to PODEs, to the lawyers and courts who rely on their work, and above all to the divorcing parties whose outcomes depend on it.

Appendix 1: Thanks and acknowledgements

We are very grateful to all of the following for their contributions. Any errors or omissions are our own.

- Former working party members: Suzanne Dossell, Anvita Jain.
- PODE firms who contributed reports: WBR Group, Expert Pension Solutions Ltd, Actuaries for Lawyers, Excalibur Actuaries, Nigel Sloam & Co, Mathieson Consulting
- All respondents to our consultation papers: Sarah Hoskinson, Michael Finnegan, Paul Cobley, Michael George, Stephen Hyams, Richard Nobbs, Rahim Rashid, Richard Rigg, Julian Whight, Clare Williams, Rhys Taylor, Stuart Reid
- For helpful discussions: Scott Haslam, Stephanie Millar, Sandra Terras, John Atherton, Philip Ingram
- IFoA staff and volunteers: Mairi Russell, Kelly Hurren, Mark Tinsley, and the IFoA Pensions Board
- Forerunners: David Gordon, author of the Thematic Review and the authors of PAG1 and PAG2

Appendix 2: User Guide for Template Summary for PODE reports

Introduction

1. The Template Summary for PODE Reports ("the Template Summary" – Appendix 3), example completed Summary (Appendix 4) and this user guide have been drafted by the **IFoA's Pensions on Divorce Working Party**.

2. The IFoA Pensions on Divorce Working Party was established following the publication of the IFoA's Thematic Review Report **Pensions on divorce: expert actuarial advice** ("the Thematic Review") in April 2024. Amongst its findings, the Thematic Review reported that PODE reports varied in length from 13 pages to over 70 (Finding 7), and that the majority of lawyers believed there should be more standardisation (Finding 11), a view which had strengthened in the five years leading up to the report.

3. A sub-group of the Working Party were tasked with looking at whether standardisation of reports was achievable and / or advisable (a further sub-group were tasked with considering the standardisation of technical methodology). The consensus was that a standard form of Executive Summary would be of assistance to divorcing parties, those advising them, and judges dealing with financial remedy cases, as well as to PODEs themselves. The resulting Template Summary appears at Appendix 3. An example completed Summary appears at Appendix 4.

4. For the avoidance of doubt, the Template Summary and the information contained in this user guide are designed as guidance for PODEs to produce a useful and comprehensive summary of the key points in their reports for users. However, this is only guidance and there are no absolute hard and fast rules on how to complete the Template Summary. It is appreciated that PODEs need to and should be able to use their discretion and professional judgment when preparing their reports and completing the Template Summary to ensure that it conveys the key information in an accurate and clear way.

5. The primary purpose of the Template Summary is to assist users of PODE reports to quickly:

    - understand the key features of the pensions involved;
    - understand the results and recommendations of the report; and
    - highlight and enable users to easily locate key information contained in the main body of the report.

    It is also designed to assist PODEs to present key information and their findings in a clear and consistent manner to save them time and costs and reduce the number of clarification questions arising on their reports.

6. It is hoped that widespread adoption of the Template Summary by PODEs will help streamline the creation of reports by PODEs and users' analysis and use of them. This will save time and costs and should improve end user satisfaction with the process of obtaining expert advice on dividing pensions on divorce. Ultimately it is hoped that this will result in increased instructions to PODEs, which will in turn help to achieve fairer results for divorcing parties as they will be better informed and have expert advice on the equitable division of their pensions available to them.

Format of Template Summary

7. The format of the template is intended to be flexible and adapted to each case. After discussion, the Working Party decided that due to the likely number of columns and rows required when presenting the key information in table format (recommended) it is most appropriate for the Template Summary to be presented in landscape. It is, however, acknowledged that PODEs will have their own house style and important to be clear that this is not an absolute requirement. In particular, if there are only a limited number of rows and columns required for certain reports, then it may be appropriate to present the summary in portrait rather than landscape.

8. It is incumbent on those preparing court bundles or briefs to counsel etc, that they ensure that the pages are rotated accordingly to assist litigants, counsel and judges to review the executive Summary and report without needing to rotate the pages themselves.

9. As appropriate, the PODE may add to or remove sections, columns or rows, as each case will be different. Further, whilst the order of the sections is designed to make it easy for solicitors, barristers, litigants and judges to quickly get to grips with the instructions, pensions involved and the results and recommendations of the report, if the PODE feels it is appropriate in the case they are dealing with, then they may re-order the sections.

10. It is also acknowledged and, indeed, the Working Party would encourage PODEs to apply their own branding to the Template Summary and use appropriate colours and font etc to reflect their own branding and to ensure that the executive summary is engaging and clear to the end user.

11. PODEs are reminded that PD 27A paragraph 8.1 of the Family Procedure Rules 2010 requires them to aim for a 4-page executive summary of their report and 40 pages in total inclusive of the executive summary. Accordingly, if possible, the PODE should limit the completed Template Summary to 4 pages to comply with this. However, this is not an absolute rule and there will be cases where the complexity demands that the 4-page limit is exceeded. PODEs should therefore not be afraid to exceed this limit when necessary but it would be sensible to draw this to the instructing parties' attention so that they can make the court aware and obtain permission for this where appropriate.

Section 1.1.

Remit of Instructions

12. It is intended that in this section the PODE will summarise (in bullet point form) the remit of their instructions. It is suggested that these do not need to be cut and pasted from the letter of instruction but, instead, succinctly summarised.

13. The Working Party are aware that often the remit of the PODE's instruction will develop over time (following clarification questions by the PODE or, indeed, the PODE substituting their own recommendation, i.e. around suitable retirement age(s) to equalise benefits at). In those circumstances, it is suggested this section summarises the final instructions / approach adopted, cross-referencing to the body of the report where a fuller chronology of how those instructions may have altered over time can be set out.

Section 1.2

Current Pensions

14. This section is designed to give users an overview of the pensions involved and (where dealing with DB schemes) the income and lump sums (if any) accrued prior to any pension sharing order

being made. If the PODE does not consider such information to be relevant to a case, however, then they may remove the rows “gross annual pension entitlement” and/or “any automatic (tax-free) lump sum”.

15. It is suggested that CEVs (and ‘independent expert valuations’ if within the remit of the report) are valued as at the same date where possible (being as near as possible to the date of the report). Where not possible the PODE should cross-reference to the relevant paragraph(s) in the body of the report explaining why it was not possible and /or proportionate to do so.

16. If the PODE has been instructed to advise in relation to State pensions and take these into account, then details of the State pensions should be included in this section. If they have not been instructed to consider State pensions, then these should not be included – although it is suggested that the PODE should include a note here to confirm that they have not referred to these because they been instructed to ignore them.

17. Whilst is acknowledged that PODEs may feel that this information is somewhat redundant given that the whole idea of the report is that a pension sharing order (or appropriate offset) will be made, this is nevertheless key information for users who may have little to no understanding of the current pensions and to place the results/recommendations into context. It also gives all parties the opportunity to confirm that the pension information in scope is complete and in line with any expectations.

18. The PODE may wish to highlight or include a standard caveat in the narrative prior to the tables that the figures in the table are not “comparable” due to, for example, different rates of increase in retirement/availability of Guaranteed Annuity Rates etc.

19. The Template Summary contains a comment in this section to highlight to users (who may have little to no understanding of pensions) that (a) tax free lump sums will only be set out in the tables where they are automatic but (b) tax free lump sums will normally be available even if not an automatic feature of the scheme and that users should take financial advice on this. This standard wording should remain and not be deleted from the summary.

Independent Expert Valuation –

20. Different PODEs use different terms to refer to the capital value calculated by them for divorce purposes. These include Defined Contribution Fund Equivalent, Fair Value, Market Value, Actuarial Value and others. We propose that a reasonable term that could be adopted by all PODEs for this purpose is Independent Expert Valuation. This term is neutral with regard to the specific details of the underlying methodology.

21. An Independent Expert Valuation may not be required in all summaries as it may not be in the remit of the instructions. If it is not required, then this row should be removed.

22. If it is required, then this should state the PODE’s view as to the value of the relevant pension. It would be sensible to cross-reference here to the paragraph(s) of the main body of the report where the PODE has set out how they have calculated this so that users can review this.

Gross annual pension entitlement –

23. It is expected this row will only be completed for DB schemes. It is recommended that the PODE states here the “raw amounts” of pension for the benefits accrued.

Any automatic (tax free) lump sum –

24. It is expected this row will only be completed for DB schemes. If there are no automatic lump sums from any of the pensions, then this row should be removed.

25. If some or all of the pensions have automatic lump sums, then the amounts should be stated where relevant and otherwise “No”.

“Marital” portion and apportioned independent expert valuation -

26. Whilst the terminology ‘marital’ is used, the Working Party would ordinarily expect the PODE’s instruction (where apportionment is a factor) to be to treat as ‘marital’ all pensions accrued from date of cohabitation (not marriage).

27. If the remit of the instructions requires pensions to be apportioned for any period e.g. date of cohabitation to separation, then these rows should be completed, confirming (for ease of reference) the percentage deemed ‘marital’ and the apportioned valuation in real terms.

28. If this is not required i.e. the instructions are to deal with all pensions without any apportionment, then these rows can be removed.

29. PODEs should cross-reference here to the paragraphs of the main body of the report where their apportionment calculations are set out so that users can review these.

Earliest date at which benefits can be taken without reduction –

30. This should confirm the normal retirement age for the relevant scheme.

31. If there is more than one normal retirement age, because, for example, there are different parts to the pension which have different normal retirement ages, then these should be set out and explained.

32. If this is too complicated to be set out and explained in the summary, then the PODE should cross-reference to the paragraph(s) of the main body of the report where this information is set out.

Key Features/Report Reference –

33. If the key features of the relevant pension scheme are relatively straightforward and can be stated succinctly in the summary, then they may be set out here.

34. Alternatively, if the key features are complex, for example, because there are various different elements to the pension which increase at different rates, then the PODE should cross-reference to the paragraph(s) of the main body of the report where this information is set out.

35. The Working Party suggest that the following non-exhaustive list should be considered key features which should be highlighted in the summary (or cross-referenced as appropriate):

    - Service milestones;
    - Guaranteed annuity rates;
    - Guaranteed minimum pension;
    - Enhancements for deferred retirement;
    - No further enhancement for deferred retirement e.g. NHS 1995 Scheme;
    - Non- shareable rights e.g. early departure payments.

36. A notes section has been included which the PODE can use (for example for footnotes explaining an acronym, abbreviation or approach used in the table above) or delete as they deem necessary.

Section 1.3

Results of Report

37. Some examples of the outcomes which may be sought are set out in this section. These are illustrative only. Rows should be amended, deleted and added as applicable. If there are multiple options for sharing the pensions to achieve the outcome sought, then the PODE should add rows to show these. The PODE may (but equally may not) have a view and recommendation as to which of the multiple options is the fairest or most appropriate. They should cross-reference to their recommendation and/or the pros and cons of each option within the body of the report or in the implementation section of the Template Summary.

38. To assist users to understand the impact of the proposed pension share, it is suggested that where possible PODEs should set out the **"Notional comparable automatic lump sums in retirement (amount/from age)"** (where relevant) and **"Notional comparable incomes in retirement (amount/from age)".** The report uses the term "notional comparable income" to mean a single figure, per pension or per party, representing the annual income received from equalisation age (or date) for life taking into account different escalation rates and different periods of payment and represents a figure used to enable consistent comparison between incomes. The term "notional comparable lump sum" means a single figure, per pension or per party, representing the automatic lump sum each is deemed to take for the purposes of those calculations. For the avoidance of doubt, the PODE does not need to set out here the automatic lump sums (where relevant) and incomes from each pension, just the total automatic lump sums (where relevant) and incomes for each party from all pensions post sharing. However, it is appreciated that in the more complex cases it may not be feasible to set out this level of detail in the summary without the summary becoming 'unwieldy'. In which case, cross-referencing to the body of the report would be advisable.

39. Where notional comparable incomes and automatic lump sums are included, the Template Summary includes a note to state that these figures are expressed in "real terms" (i.e. in today's money) to make them comparable. This can be removed if such figures are not being included in the summary.

40. The Template Summary also makes it clear that the actual lump sums and incomes received in retirement will likely be different to those stated in the table, as it is important to make users aware of this. We have endeavoured to include a high level and plain language explanation to users that part of the reason for this is because pensions increase in different ways and/or fall into payment at different stages and so the PODE will have undertaken a calculation to account for these differences and produce adjusted figures as a result.

41. The PODE can cross-reference here to the paragraph(s) of their report to confirm how they have carried out their calculations. However, the likelihood is that the user will not be particularly interested in having a deep understanding of how this calculation has been done. Accordingly, provided that the PODE is able to explain at a high level what they have done in the main report and are able to justify this by reference to actuarial standards, then a detailed explanation within the report is probably not required. If a user wishes to know more than they can request a more detailed explanation when raising any clarification questions.

    - If the outcome sought is based on apportionment of pensions e.g. equalisation of income from age 67 – accrual from cohabitation to separation, it is important that the PODE sets out here:
    - The total lump sums and income for each party from the apportioned pensions; and
    - The total lump sums and income for each party from all the pensions.

This is so users can understand the overall impact of a pension share which only shares a proportion of the pension on lump sums and incomes. It is generally only going to be appropriate for a pension share to be limited to the apportioned pension to be made if it meets needs. Accordingly, users need this information to determine if the pension share will meet needs.

42. As mentioned above, if showing the above in the summary table is impractical because it is too complicated or confusing, then the PODE should, instead, cross-reference to a further table in the main body of the report where this is set out.

43. In the final column in this section, the PODE should cross-reference to the relevant paragraph(s) of their report for further details on how the share has been calculated.

Section 1.4

Results of Report – Offsetting

44. Please delete this section if the PODE has not been asked to advise on offsetting in the instructions.

45. Please insert the tax adjustment(s) that the PODE has applied to the offsetting figure (recognising more than one rate may be applicable i.e. where some but not all pensions in payment). The PODE can either set out here why they have selected that figure or can cross-reference to the paragraph(s) of the report where this is set out. The PODE may also wish to consider an adjustment for tax in respect of the investment of the offset amount by the receiving party and, if so, they should highlight that this forms part of the "adjustment for tax" that they have made (cross-referenced to the main paragraph of the report where such calculations are shown).

46. The standard wording confirming that the PODE has not made any adjustment for utility as this is a matter for the court/negotiation should remain and not be deleted.

47. If forming part of the instructions, the PODE should set out in the body of the report the independent expert valuation net of tax for each pension for insertion into any schedule of assets and cross-refer to this in the summary. The rationale for keeping this breakdown in the main report being that including a net independent expert valuation for every pension could increase the length of the summary unnecessarily.

48. The precise tables used will depend on the remit of the instructions and those in the template are included as examples only. When completing, it is important that the PODE makes it clear how much the person paying the offset lump sum needs to pay to the receiving party to reduce the pension share and sets this out underneath the table to assist the user. For example:

Lump sum in lieu of pension sharing to equalise capital values (based on independent expert valuations)

Amount to be transferred from Party 1 to Party 2 from their share of the non-pension capital

	Entirety
Tax adjusted lump sum required	£AMOUNT
Reduction to pension sharing order for each £10,000 of post division lump sum paid by Party 1 to Party 2*	TBC%

* This is the amount that Party 1 needs to pay to Party 2 from their own funds after division of the parties' non-pension assets. Note here that a £10,000 transfer from Party 1 to Party 2 from their own funds is equivalent to Party 2 retaining £20,000 prior to the division of the parties' assets.

49. The PODE may wish to highlight in this section that the loss to the paying party may not be the same as the gain in value to the receiving party and cross-reference to the relevant paragraph(s) of their report where this is explained in detail.

Section 1.5

Implementation

50. This is self-explanatory but if the PODE does not have the relevant information then they should set this out here and recommend that the users make further enquiries with the relevant scheme(s).

51. This section could be expanded by the PODE to include any other matters relating to implementation that they consider are important and should be drawn to the users' attention. For example, if a SSAS or a SIPP involved contains commercial property.

52. There is provision to cross-reference to the relevant pages/sections of the main body of the report for further details.

Section 1.6

What the parties also need to consider

53. It is envisaged that PODEs will include some warnings here (bespoke to the couple in question) regarding the parties needing to:

    - Take financial advice generally in relation to their pensions and in relation to implementation of the pension sharing order;
    - Obtain an updating report in advance of finalising a settlement, and what events / passage of time would justify returning for an updating report;
    - Take financial advice on and set money aside to take account of any clawback post implementation of a pension share over a pension in payment.
    - Any other matters of importance that the PODE considers should be flagged in the summary.

54. The PODE should also highlight here any significant limitations or risks involved in the results of the report e.g. incomplete data. The PODE may wish to cross-reference here to the paragraph(s) of their report where the information/assumptions used are set out so that the user can review this.

IFoA Pensions on Divorce Working Party

September 2026

Appendix 3: Template Summary for PODE reports

1.1. Remit instructions

[PODE TO COMPLETE]

1.2. Current pensions

I have summarised in the table below the CEVs [, *and*] benefits accrued *[and independent expert valuations]* of the parties' pension rights at [*report calculation date*]. [*The PODE may also wish to add a standard caveat about the below figures not being 'comparable' due to, for example, different rates of increase in retirement/ availability of GAR etc*]

Lump sums are only outlined below where they are an automatic feature of the scheme. Tax-free cash will usually be available even if not an automatic feature of the scheme. Financial advice should be taken by the parties on the options available to them

Party 1 name, date of birth, age

Scheme Name	*[Insert scheme name as required for Annex]*	*Further details per pension to include state pensions where within remit of report*	*Further details per pension to include state pensions where within remit of report*
Type of scheme	*[i.e. Defined benefit / Defined contribution]*		
In payment?	*Yes / No*		
CEV	*Date / Amount*		
Independent expert valuation	***£XX*** *[Where within remit of report - remove row if not]*		

Gross annual pension entitlement	***£XX*** *PODE to insert 'raw amounts' for the benefits accrued.*		
Any automatic (tax-free) lump sum / if so, amount	*Yes/No* ***£XX***		
"Marital" portion	*Where remit of report includes apportionment it may be helpful to confirm what percentage relates to the relationship*		
Apportioned independent expert valuation (*PODE TO CONFIRM DATES)*	*Where remit of report includes apportionment (note PODEs may wish to also cross-ref to para in report which apportions the accrued pension etc)*		
Earliest date at which benefits can be taken without reduction	*[AGE]*		
Key features / Report reference	*Cross-ref to para in report where draw out key features*		

Party 2 name, date of birth, age

Scheme Name	*[Insert scheme name as required for Annex]*	*Further details per pension to include state pensions where within remit of report*	*Further details per pension to include state pensions where within remit of report*

Type of scheme	*[i.e. Defined benefit / Defined contribution]*		
In payment?	*Yes / No*		
CEV	*Date / Amount*		
Independent expert valuation	***£XX*** *[Where within remit of report - remove row if not]*		
Gross annual pension entitlement	***£XX*** *PODE to insert 'raw amounts' for the benefits accrued.*		
Any automatic (tax-free) lump sum / if so, amount	*Yes/No* ***£XX***		
"Marital" portion	*Where remit of report includes apportionment it may be helpful to confirm what percentage relates to the relationship*		
Apportioned independent expert valuation (*PODE TO CONFIRM DATES)*	*Where remit of report includes apportionment (note PODEs may wish to also cross-ref to para in report which apportions the accrued pension etc)*		

Earliest date at which benefits can be taken without reduction	*[AGE]*		
Key features / Report reference	*Cross-ref to para in report where draw out key features*		

Notes

[*PODE may wish to include any notes which clarify the above which is deemed necessary in the summary as opposed to the body of the report*]

1.3 Results of report: Pension sharing at [*DATE*]

Outcome sought	**Pension sharing order(s) advised (% and scheme)**	**Notional comparable automatic lump sums in retirement (amount / from age)* *where relevant***	**Notional comparable incomes in retirement (amount / from age) ***	**Paragraph no in report**
e.g. equalisation of independent expert valuations	*This may be subdivided into two or more rows if different PSOs against different pensions are suggested e.g. 100% of H's Standard Life Pension or 50% of H's Standard Life Pension and 20% of H's Armed Forces Pension.*	*Please set out both parties' total automatic lump sums from all pensions post sharing*	*Please set out both parties' total income from all pensions post sharing*	

e.g. equalisation of independent expert valuations – accrual from cohabitation to separation				
e.g. equalisation of incomes from age 67 - all pensions				
e.g. equalisation of incomes from age 67 - accrual from cohabitation to separation				

[rows to be removed as applicable]

* These figures are expressed in real terms, i.e. the effect of inflation has been stripped out to make them comparable. It should also be noted these are notional comparable incomes / lump sums (where relevant) for the purposes of this report, and based on the assumptions expanded on in the full report. The actual lump sum(s) (where relevant) and income(s) received in retirement will likely differ. In particular, where pensions increase in different ways and/or fall into payment at different stages adjustments have been made to ensure pensions can be compared on a like for like basis. For details see paragraph [XX] of the report. The figures included above represent the adjusted figures.

1.4 Results of report: Pension offsetting / Partial offsetting at [*DATE*]

Adjustment for tax: [*PODE to insert adjustment(s) used*]

Adjustment for utility: None (a matter for the court / legal negotiations).

[*Optional wording* * For 'independent expert valuations' (net of tax) for each pension held for insertion in any schedule of assets please see paragraph [XX] of the body of the report.]

[PODE TO COMPLETE / ADAPT TABLE FOR EACH OFFSETTING CALCULATION REQUESTED – EXAMPLES BELOW]

Lump sum in lieu of pension sharing to equalise capital values (based on independent expert valuations) **Amount to be transferred from *Party 1* to *Party 2* from their share of the non-pension capital**			
	Entirety	Relationship accrual only [*if within remit report]*	[*Additional accrual periods as required]*
Tax adjusted lump sum required *	£XX	£YY	£ZZ
Reduction to pension sharing order for each [£XX] of post division lump sum paid by Party [1] to Party [2]	XX%	YY%	ZZ%

* This is the amount that Party [1] needs to pay to Party [2] from their own funds after division of the parties' non-pension assets. Note here that a £10,000 transfer from Party [1] to Party [2] from their own funds is equivalent to Party [2] retaining £20,000 prior to the division of the parties' assets.

Lump sum in lieu of pension sharing to equalise pension benefits (i.e. income and lump sum) **Amount to be transferred from *Party 1* to *Party 2* from their share of the non-pension capital**			
	Entirety	Relationship accrual only [*if within remit report]*	[*Additional accrual periods as required]*
Tax adjusted lump sum required *	£XX	£YY	£ZZ
Reduction to pension sharing order for each [£XX] of post division lump sum paid by Party [1] to Party [2]	XX%	YY%	ZZ%

* This is the amount that Party [1] needs to pay to Party [2] from their own funds after division of the parties' non-pension assets. Note here that a £10,000 transfer from Party [1] to Party [2] from their own funds is equivalent to Party [2] retaining £20,000 prior to the division of the parties' assets.

1.5 Implementation

The following points should be noted for implementation purposes:

Issue	**Notes specific to parties**	**Paragraph no in report**
How will the pension be shared?	[*internal / external sharing - options per scheme*]	
What fees will be charged for implementing?		
How can fees be discharged?	[*i.e. from scheme / up front?*]	
Anything else of complexity		

1.6 What [*Party 1* name] and [*Party* 2 name] need to also consider

[*Standard notes re need for financial advice / updating reports in advance of finalising settlement etc/if the report concerns a pension in payment, to flag clawback / impact of receiving a disqualifying pension credit and cross-refer to sections in report? Any material risks or judgements that should be highlighted, e.g. incomplete data, if ignoring state pensions and there is a differential. PODE to highlight any particular risks around events that might change their opinion and therefore when they would recommend parties might return for an updating report.*]

Appendix 4: Example Completed Template Summary for PODE reports

1.1. Remit instructions

- The most cost-effective way to divide the pension provision available to both parties between the parties so as to provide equality of pension income when the parties reach their respective State Pension Ages.
- The most cost-effective way to divide the pension provision available to both parties between the parties so as to achieve equality of capital value.
- Details of how the required PSOs can be offset, making allowance for an appropriate tax adjustment.
- Details of how the required PSOs may be reduced by the transfer of non-pension capital from Mr W to Mrs W.
- All calculations should consider (i) all accrued pensions and additionally (ii) pensions accrued during the marriage only.

1.2. Current pensions

I have summarised in the table below the CEVs, benefits accrued and independent expert valuations of the parties' pension rights at 15 April 2026. PPS stands for the Police Pension Scheme.

Lump sums are only outlined below where they are an automatic feature of the scheme. For defined benefit pensions not yet in payment, tax-free cash will usually be available even if not an automatic feature of the scheme. Financial advice should be taken by the parties on the options available to them

Mr W, DOB 31 March 1970, age 56

Scheme Name	PPS 1987	PPS 2015
Type of scheme	Defined benefit	Defined benefit
In payment?	Yes	No

CEV	£602,000	£11,000
Independent expert valuation	£530,000	£10,000
Gross annual pension entitlement	£23,000 p/a	£700 p/a
Any automatic (tax-free) lump sum / if so, amount	No	No
"Marital" portion	84.9%	100%
Apportioned independent expert valuation (May 2000 – Dec 2023)	£450,000	£10,000
Earliest date at which benefits can be taken without reduction	Pension in payment	67
Key features / Report reference	CPI-linked pension in payment	Preserved CPI-linked pension

Mrs W, DOB 30 September 1960, age 65

Scheme Name	Teachers' Pension Scheme
Type of scheme	Defined benefit
In payment?	Yes
CEV	£30,000
Independent expert valuation	£27,000

Gross annual pension entitlement	£1,500 p/a
Any automatic (tax-free) lump sum / if so, amount	No
"Marital" portion	100%
Apportioned independent expert valuation	£27,000
Earliest date at which benefits can be taken without reduction (May 2000 to Dec 2023)	Pension in payment
Key features / Report reference	CPI-linked pension in payment

1.3 Results of report: Pension sharing at 15 April 2026

Outcome sought	**Pension sharing order(s) advised (% and scheme)**	**Notional comparable incomes in retirement (amount / from age) ***	**Page no in report**
Equality of pension incomes (from age 67)	39% over PPS 1987 Pension	Mr W: £14,100 p/a immediately after PSO and a further £700 from age 67 Mrs W: £14,800 p/a immediately after PSO	12
Equality of pension incomes (from age 67), marital accrual only	33% over PPS 1987 pension	Mr W: £15,500 p/a immediately after PSO (or £12,000 p/a after apportionment) and a further £700 from age 67 Mrs W: £12,700 immediately after PSO	12

Equality of pension capital	45% over PPS 1987 pension	Mr W: £12,700 p/a immediately after PSO and a further £700 from age 67 Mrs W: £16,800 p/a immediately after PSO	14
Equality of pension capital, marital accrual	38% over PPS 1987 pension	Mr W: £14,300 p/a immediately after PSO (or £10,800 p/a after apportionment) and a further £700 from age 67 Mrs W: £14,500 p/a immediately after PSO	14

* These are all CPI-linked incomes. Where pensions are being apportioned, total post-sharing pension incomes are provided. These are pension incomes prior to the ring-fencing of pensions on the grounds of apportionment.

Each party will receive a pension income prior to attaining their common State Pension Age of 67. Equality of pension incomes will be achieved from when Mr W attains the age of 67 and claims his PPS 2015 pension. If pension income receivable by the parties before they attain State Pension Age is to be taken into account in the settlement, that must be done separately. I would be happy to provide further information to support this, if required. Note, the equality of pension capital calculations do take account of pension benefits that each party may receive before they attain age 67.

1.4 Results of report: Pension offsetting / Partial offsetting at 15 April 2026

Adjustment for tax: 20% (illustrative adjustment based on the vast majority of the pensions being in payment)

Adjustment for utility: None (a matter for the court / legal negotiations).

Lump sum in lieu of pension sharing to equalise capital values (based on independent expert valuations) **Amount to be transferred from Mr W to Mrs W from their share of the non-pension capital**		
	Entirety	Relationship accrual only
Tax adjusted lump sum required *	£205,000	£173,000
Reduction to pension sharing order for each £5,000 of post division lump sum paid by Mr W to Mrs W	1.1%	

* This is the amount that Mr W needs to pay Mrs W from his own funds after division of the parties' non-pension assets. Note here that a £5,000 transfer from Mr W to Mrs W from his own funds is equivalent to Mrs W retaining £10,000 prior to the division of the parties' assets.

Lump sum in lieu of pension sharing to equalise pension incomes (based on independent expert valuations) **Amount to be transferred from Mr W to Mrs W from their share of the non-pension capital**		
	Entirety	Relationship accrual only
Tax adjusted lump sum required *	£161,000	£136,000
Reduction to pension sharing order for each £5,000 of post division lump sum paid by Mr W to Mrs W	1.2%	

* This is the amount that Mr W needs to pay Mrs W from his own funds after division of the parties' non-pension assets. Note here that a £5,000 transfer from Mr W to Mrs W from his own funds is equivalent to Mrs W retaining £10,000 prior to the division of the parties' assets.

1.5 Implementation

The following points should be noted for implementation purposes:

Issue	**Notes specific to parties**	**Paragraph no in report**
How will the pension be shared?	Internal transfer: award pension payable immediately	2.4
What fees will be charged for implementing?	£2,000 fee	2.4
How can fees be discharged?	Payable upfront	2.4
Recovery of pension paid to Mr W	The scheme administrators will seek to recover any pension overpaid to Mr W since the effective date of the PSO	2.5

1.6 What Mr W and Mrs W need to also consider

Mr W has accrued benefits in both the PPS 1987 and PPS 2015 sub-schemes of the Police Pension Scheme. Any Pension Sharing Annex (form P1) that is to be sent to the scheme administrators needs to make clear precisely which pension benefits are to be shared, making reference to the PPS 1987 pension.

Appendix 5: Consultation Panel feedback

The working party circulated three of its draft outputs — the Template Summary, the accompanying user guide, and a data specification for divorce — to a Consultation Panel, together with a short questionnaire. The questionnaire also invited views on a number of wider questions about standardisation, expert judgement and possible law reform. This appendix summarises the responses received. The summary is mainly AI-generated.

5.1 Purpose and method

Eight substantive responses were received and are summarised here. Respondents comprised roughly equal numbers of PODEs and family-law practitioners. The sample is small, so the results are indicative rather than statistically robust. All feedback is anonymised.

5.2 Overall reception

The panel was strongly supportive of the working party's direction, and several respondents were notably positive about the quality of the drafts — describing the template, in particular, as an excellent piece of work that should be adopted, and a welcome evolution of the earlier PAG work. Support was expressed for both the summary template and the data specification, in principle and in the specific drafts circulated, with most qualifications taking the form of 'minor changes' or points of detail rather than fundamental objections. A recurring cross-cutting theme was that any summary template should operate as a guide or consistent starting point rather than a straitjacket, leaving the expert free to depart, with reasons, where the circumstances of a case require it.

5.3 Feedback on the template summary

All commenters supported the widespread use of a Template Summary ("Template") (three commenters had reservations). All supported the use of our draft Template (four with minor changes; one with significant changes).

Those with reservations discussed the need for the Template to be a guide adaptable on a case-by-case basis. This was the working party's intention.

The Reports Sub-Group ("RSG") was clear that PODEs should adapt the Template on a case-specific basis, and this will be emphasised in the Template user guide ("Guide").

Issue	Reports Sub-Group Conclusion
Clutter	
The Template could easily become cluttered and therefore not user-friendly in all but the most straightforward cases. RSG to consider coming up with the broad principles that should be taken into account when putting together a summary and perhaps a "shopping list" of what should always be covered in a summary. It is then for a PODE to decide how they meet these principles. Perhaps a principles based approach would gain greater traction.	Although the potential for clutter is recognised by the RSG ultimately the consensus was that the Template structure should be retained, however PODEs should be reminded there is flexibility in the Template. **Outcome:** The RSG concluded that it should ensure that the Guide includes the reminder that there is flexibility in the Template that can be adapted to each case.

Layout	
More use of columns / a more engaging layout	RSG will utilise AI to consider the design and whether there are other layout options. In terms of colour font etc. the RSG expected that PODEs would need to apply their brand look and feel to the Template, so RSG did not want to prescribe colours/fonts etc. **Outcome:** no action needed
Not using landscape	RSG noted that PODEs were to be reminded of the flexibility of the Template and PODEs could and would adapt their needs.
There should be a section / paragraph where the PODE can set out their recommendation re the fairest / most appropriate pension share required to fulfil the instruction(s)	RSG discussed this at length. The RSG were conscious that it won't always be role of the PODE to form a view as to which pensions to share. **Outcome:** RSG concluded that the best approach is to 1. Expand on this in the user Guide. 2. In summary section of the Template cross-refer to pages of main report with recommendations. 3. The Guide will include a reminder that a PODE could add rows into the results section to show multiple ways of achieving outcome sought in a relevant case.
Discounts	
Query whether want a row for including utility discount	RSG were firm in their view that, in accordance with PAG2, PODEs should not be commenting on utility discount. **Outcome:** no action needed
'Adjustment for utility' being a non-amendable comment	RSG agreed **Outcome:** no action needed
Setting out the impact of the PSO in money terms	
Including what the recipient will actually receive	**Outcome:** The RSG was satisfied that Template allowed for this. The RSG did accept that there was not much space for it, but it was there and PODEs could adapt the Template using its flexibility if more space were needed. RSG noted that there was a danger of the parties thinking incomes are unfair etc. but noted this was a matter for the parties and their legal representatives (if represented) and ultimately the court.

Contents of the report	
Remit of instructions	RSG was satisfied that the remit of instructions was covered in the Template as is. **Outcome:** no action needed
Example report should probably state date of relationship rather than marriage	RSG considered that the date of the relationship may be a relevant factor - this was a matter for instructions where dates of cohabitation, marriage and separation would be included if they formed part of the remit of instructions. The PODE would need to adapt the heading if needed based on their instructions e.g. marriage accrual, relationship accrual etc.
Fees of implementation	RSG was satisfied that the fees of implementation were covered in the Template as is.
Specific exec summary between 1.1 and 1.2 (and whether this is better achieved by moving around 1.3 and 1.2?)	The RSG does see merits of the results first. RSG felt that the order on the Template works for majority. RSG concluded that the option to move 1.3 results first will be highlighted in the Guide. **Outcome:** The positioning of 1.2,1.2 and 1.3 as on the Template could be adapted to the needs / preference of the PODE.
Specific reference to state pensions	**Outcome:** The RSG agreed that there should always be a specific reference to state pensions even if the reference was just that the PODE was not instructed to look at them.
Length of the report	
Length of the report and the new PD27 - limited expert reports to 40 pages (including executive summary at the beginning of no more than 4 pages)	**Outcome:** The consensus was to aim for a 4-page summary but allow flexibility, recognizing the complexity of cases and the possibility of exceeding the limit when necessary. The parties/their legal representatives will be responsible for the bundle page count.

5.4 The user guide

Comments on the user guide were generally brief and positive: it was described as clear, useful and easy to understand. The guide needs a section that clearly states that the Template is intended to be flexible and adapted to each case.

This can include:

1. Adding/removing sections/columns
2. Moving sections
3. Changing the layout
4. Changing the colours/font etc to comply with branding and or brand look/feel

There will be a reminder that, due to PD 27A para 8.1, the aim is for a 4-page summary, but allow flexibility, recognising the complexity of cases and the possibility of exceeding the limit when necessary.

5.5 The data specification

Support for a standardised data specification was unanimous in principle, and respondents supported the specific draft (with some minor changes). Legal respondents in particular welcomed anything that would standardise information requests and reduce the delays and cost that currently attend the gathering of scheme data. The main qualifications were that the draft risked being burdensome, and that it would benefit from distinguishing core information needed in every case from information that is scheme- or situation-dependent, with separate templates likely to be needed for defined contribution arrangements, annuities in payment and public-service schemes. Respondents also cautioned against removing certain items (for example death-benefit information, relevant to pension attachment) and emphasised that the template's success will depend on buy-in from pension schemes and administrators.

5.6 Standardisation, expert judgement and users' understanding

The questionnaire asked respondents to agree or disagree with a series of statements. A few respondents observed that some statements were ambiguous or, in one view, ‘loaded’, and answered on the assumption that a good-quality expert was in contemplation; the figures below should be read with that caveat. Counts are of the eight respondents, not all of whom answered every statement.

Statement	Agree	Neutral	Disagree
A range of different technical methods across PODEs benefits users	3	1	3
A default approach would be incompatible with the expert's role, even if non-mandatory	4	0	4
The choice of method does not significantly affect the answer	2	2	4
On the same case, two good-quality PODEs would reach materially the same conclusion	5	2	1
Expert shopping among PODEs is still an issue post-PAG	2	3	3

Statement	Agree	Neutral	Disagree
Users understand the significant judgements the PODE makes	0	1	7
It matters whether users understand those judgements	7	1	0
I would like a standard baseline alongside PODEs' own calculations, to compare experts	3	2	3
PODEs should simply use PAG Appendix Q as it stands	0	3	5
Users can identify whether a PODE is good quality (has the necessary competencies)	0	1	5

('Agree' and 'Disagree' include the strongly-held responses; 'Neutral' includes 'no opinion / don't know'. Some respondents did not answer every statement.)

5.7 What the panel appeared to agree on

- Almost all respondents considered that users do not understand the significant judgements a PODE makes, and, equally strongly, that it matters that they should. Most also thought that users cannot readily tell whether a PODE is of good quality.
- There was no appetite for simply adopting the PAG guide Appendix Q, adjusted for the pre-retirement discount rate to reflect a balanced portfolio as it stands.
- Most respondents thought that the choice of method can affect the result, while also agreeing that two good-quality experts would reach materially similar conclusions on the same case — suggesting that, in the panel's view, the competence of the expert matters at least as much as the method.

5.8 Where views diverged

Opinion was divided on whether a default approach or a 'standard baseline' is desirable or compatible with the expert's role. There was a discernible, though not universal, pattern along disciplinary lines: the PODE respondents were generally more cautious about a prescribed default or a comparative baseline, regarding it as in tension with the exercise of independent expert judgement, whereas the legal and user respondents were more receptive to greater standardisation and comparability. Views were also mixed on whether expert shopping remains a live issue and on whether a range of methods across experts benefits users.

5.9 Assumptions: annuitisation or drawdown

Respondents were asked about the assumption, in any default approach, that a former spouse would annuitise a defined contribution pension credit. Views ranged across a spectrum. Several respondents favoured an annuitisation assumption on the grounds that it is consistent with the security of a defined benefit pension and reflects the courts' treatment of pensions as retirement income. Others noted that drawdown is common in practice — including among experts who generally favour annuitisation, when annuity rates are expensive — and questioned whether it should be excluded, while accepting that a prudent drawdown assumption might in practice approximate an annuity. One respondent expressed a strong view that defined benefit rights should be compared on a like-for-like (DB) basis, out of concern that permitting a drawdown comparison could allow the underlying assumptions to be selected in a way that disadvantages the former spouse. Some legal respondents observed that the assumption, whatever it is, is poorly understood by lawyers, and

suggested that both options — and the risk assumed if an annuity is not in fact purchased — be made visible.

5.10 Wider issues and law-reform priorities

Asked about priorities for the Government's anticipated consultation on family law, and about further work generally, respondents raised a range of points, the most frequent of which were:

- **Quality and accreditation.** Several respondents raised concerns about the variable quality of providers and the presence of low-cost, self-described experts, and called for some form of accreditation or an ‘approved expert’ list on which instructing solicitors could rely.
- **Speed and cost of data provision.** Delays in obtaining scheme information were a common frustration; suggestions included compelling schemes to provide information more quickly, or providing it to the member when a CEV is requested, and reducing pension-sharing and CEV charges.
- **Implementation.** Points included allowing implementation charges to be met by deduction from the pension debit or credit without member consent (to address non-paying parties), and providing a default destination arrangement where a credit member will not nominate one.
- **Jurisdiction and scope.** One respondent highlighted the need for a route to deal with a UK pension held by parties with no other UK connection, and support was expressed for taking forward the legislative suggestions in Appendix V of PAG2.
- **Education and transparency.** Respondents encouraged wider education of lawyers about what actually happens when a pension sharing order or CEV request is processed, and one raised the practical difficulty caused by differing limitation-of-liability terms among experts.

5.11 Observations for the working party

Read as a whole, the responses lend support to the direction of the working party's outputs: the templates were well received and widely supported, and there was a strong shared perception that users cannot assess the technical judgements involved and would benefit from clearer, more comparable reporting. At the same time, the responses confirm the central tension the report addresses — a real division, broadly along disciplinary lines, over how far to standardise the technical basis, with PODEs wary of anything that constrains professional judgement and users more willing to trade some of that judgement for consistency and comparability.

Appendix 6: Minimum Good Practice

The following points set out the IFoA Pensions on Divorce working party's view of elements of minimum good practice for PODEs.

1. PODEs must have regard to the Pension Advisory Group (PAG) guidance. Where PODEs depart materially from a PAG recommendation, they should highlight this to the user and document the reason for departures.

2. Within any single PODE report, the PODE must use a single, consistent basis for equality of income, equality of capital, and independent expert values, unless this would be disproportionate or any difference would be immaterial.

3. Subject to instructions received, the basis must reflect market conditions at a recent date. The basis should reflect the estimated cost of achieving the relevant benefits through a private arrangement.

4. The PODE must not use the Cash Equivalent Value, or any other measure, as the Independent Expert Value unless that measure materially satisfies the requirements of paragraphs 2 and 3.

5. Where reporting equality of income calculations, PODEs must state the equalisation age or equalisation date from which income is compared or equalised. The period of equalisation must be from that age or date for life.

6. The PODE's report must highlight the existence of retirement benefits commencing at different ages or times, including lump sums, pensions and temporary benefits.

7. If any of the member's retirement benefits are excluded from equality of income, equality of capital or independent expert values (for example, if one of the parties will receive pension or lump sum payments prior to the equalisation age and these are excluded), this must be highlighted to the user. The PODE must make clear that these excluded benefits will not be reflected in the settlement unless a separate allowance is made.

8. For all retirement benefits in scope of equality of income, equality of capital or independent expert values, allowance must be made for the different rates at which pensions (or parts of pensions) increase, both before and after retirement, the different ages or dates at which pensions begin, and the temporary nature of some pensions, step-ups and other adjustments during the retirement period. An equality of income calculation should convert all the pensions increasing at different rates or starting at different ages or times into notional comparable incomes based on their lifetime equivalent value so that they can be directly compared.

9. The PODE should use the standard summary template for PODE reports, adapted as appropriate.

10. The PODE should use the MGP terminology. Other terms with the same or similar meaning should be avoided.

11. Where complying with a letter of instruction would lead to a report that is materially incomplete or otherwise misleading, the PODE must ensure that the instruction is amended appropriately or consider whether they must decline the instruction.

12. The PODE report should prominently include the statement "This report complies with the IFoA Pensions on Divorce Working Party Minimum Good Practice guide."

Definitions

- **Pensions on Divorce Expert (PODE):** An IFoA member engaged to undertake pensions on divorce work in scope of APS X3.
- **Basis:** A set of assumptions used by the actuary in respect of items such as current and future mortality rates, investment returns, inflation, and annuity prices.
- **Cash Equivalent Value (CEV):** The value of pension rights calculated as required by the Pensions on Divorce etc. (Provision of Information) Regulations 2000.
- **Independent Expert Value (IEV):** A capital value calculated by the expert for the purpose of equality of capital or offsetting.
- **Notional comparable income:** A single figure, per pension or per party, representing the annual income received from the equalisation age (or date) for life taking into account different escalation rates and different periods of payment. The figure used to enable consistent comparison between incomes for the purpose of an equality of income calculation.
- **Recent date:** The PODE's judgement of a suitable recent date.
- **PAG recommendation:** Any issue on which the Second Report of the Pensions Advisory Group sets out a definitive position which it recommends PODEs follow.
- **Equalisation age:** The starting age for an equality of income calculation for life.
- **Equalisation date:** The starting date for an equality of income calculation for life.

Appendix 7: Proposed defaults

This section sets out a pragmatic default approach for selected aspects of a PODE calculation. It does not seek to prevent PODEs from using other approaches that were described as acceptable in the PAG guide. The letter of instruction may also require additional calculations or different approaches which override this default.

PODEs and instructing solicitors departing from this default should consider whether it is proportionate and in the overall best interests of the parties to do so. A reasonable test is "Does the PODE have any strong reason to believe that using the default would result in a materially unfair outcome?"

This default does not prescribe a financial and mortality basis. Consistent with Minimum Good Practice, the basis must be market related. The choice of assumptions remains a matter for the PODE's judgement, subject to the guidance provided in the PAG guide and considering the PAG guide Appendix Q as a starting point.

1. Each set of results will be expressed in terms of an equalisation age. Equalisation of income will be calculated for life from that age onwards with pensions having different increase rates or different start ages or dates converted to a notional comparable income, i.e. a single lifetime equivalent.

2. In general, the letter of instruction should specify the equalisation ages and assumed retirement ages. Where the letter of instruction is silent on this, the PODE should normally seek clarification. Where the letter of instruction asks the PODE to advise on this, the PODE will select the equalisation age or ages and the assumed retirement ages that in their best judgement are appropriate for the facts of the case. If selecting equalisation ages, the PODE should consider whether one or more equalisation ages should be shown. A single equalisation age will be appropriate in many but not all cases; where a scheme provides materially different outcomes at different retirement ages, showing more than one age may assist the parties, subject to the departure test noted above.

3. The following benefits (pensions and lump sums) will be included:

    a. All retirement benefits from the equalisation age onwards.

    b. Retirement benefits received after the calculation date and before the equalisation age: Excluded from the PODE analysis and highlighted in line with MGP 7.

    c. For the calculation of offsetting values, the benefits valued are those that are expected to be received by the party who will receive those benefits. The benefits are not the hypothetical benefits that would be received if they were shared.

    d. No allowance for contingent spouse's benefits or death benefits.

    e. Where (public service) pension benefits have been subject to the McCloud remedy, the pension benefits considered are those that give rise to the CEV that has been calculated in line with the relevant legislation and/or GAD guidance.

    f. No allowance for GMP equalisation other than any equalisation solution already in place.

g. Where benefit statements for defined benefit schemes are materially out of date: Retirement benefits will normally be rolled forward to the calculation date using historical data. Updated Cash Equivalent Values for public service schemes will normally also be estimated. Where other Cash Equivalent Values are materially out of date, updates may need to be requested from the scheme.

4. The default range of calculations is:

    a. Equalisation of income is included.

    b. Offsetting is included if it is required by the letter of instruction.

    c. Equalisation of capital is included where the letter of instruction requires it.

5. Apportionment:

    a. Defined benefit pensions: The straight-line method of apportionment is the default. Accrual and service history should normally be requested and allowed for where material.

    b. Defined contribution pensions: Allow for timing of contributions (and in particular historic transfers and significant lump sum contributions), if the information is available, with an internal rate of return. Use the straight-line method only if this is not possible or the choice is not material.

6. Pre-retirement mortality: Mortality is assumed to be zero before retirement.

7. Offsetting:

    a. Value the actual member benefits (as discussed at 3b), not hypothetical shared benefits.

    b. Calculate the capital value of the difference in income, not the difference in capital values. Schedule of assets values are not provided unless these are specifically required by the letter of instruction.

    c. Make an appropriate allowance for tax of pension benefits in retirement, making allowance for higher rates of taxation where appropriate and also considering the extent to which some benefits may be paid tax-free.

8. The PODE will point the user to a generic explanation of the methodology adopted for deriving the assumptions, the assumptions themselves, and how results depend on the main assumptions. This might be on the PODE's website or a standard appendix. Case-specific sensitivity analysis will not normally be provided, but the PODE will indicate where, in the particular case, the result is materially sensitive to a key judgement.

9. No allowance for parties' individual circumstances such as risk appetite wider tax position, or their stated preferences for retirement or lump sum options.

10. Allowance for state pensions only if they are material and it is proportionate to make an allowance.

Appendix 8: User Guide for MGP and defaults

8.1 Purpose and status

These notes explain how the proposed technical Minimum Good Practice (MGP) guide and defaults are intended to be read and applied. The MGP guide and the defaults are deliberately short; this companion supplies the explanation and the practical judgement that sits behind them. Nothing here overrides the letter of instruction or a PODE's professional obligations.

The MGP, defaults and this user guide reflect the views of the IFoA Pensions on Divorce working party. They are not actuarial standards or guidance of the IFoA or FRC.

We encourage all PODEs to state in their reports whether they have followed the MGP and defaults. We encourage solicitors to include a requirement to follow the MGP in their letters of instruction.

8.2 Intended level of compliance

By analogy with actuarial standards, we use the following terminology in the MGP and defaults:

- **"must" (MGP):** Practice which we believe it is appropriate for PODEs to meet in all circumstances.
- **"should" (MGP):** Practice from which a PODE might depart depending on the circumstances, but this would be unusual and we would expect the PODE to document the reasoning.
- **"default":** This term is much weaker. It is simply what we suggest a PODE does in the absence of any compelling reason to depart. It is not the single "right" answer and does not constrain a better approach where one is materially more appropriate.

A reasonable test for defaults is: *"Does the PODE have any strong reason to believe that using the default would result in a materially unfair outcome?"* The view of the majority of the working party is that if the answer is "no", then it will normally be appropriate to proceed with the default.

The MGP and defaults do not specify a technical basis. The MGP requires the basis to be market-related, but the choice of assumptions remains a matter for the PODE's judgement.

8.3 Using the MGP

- **PAG guidance (para 1).** As set out in the definitions, we take a PAG recommendation to be any issue on which the Second Report of the Pensions Advisory Group sets out a definitive position which it recommends PODEs follow. Where PAG lists various acceptable approaches, this is a PAG recommendation but using any one of those approaches would comply with the recommendation.
- **A single consistent basis within one report (para 2).** This means that, within a single report, the PODE uses one basis. It does not mean that every PODE must use the same basis, and it does not require single-rate assumptions. A yield curve, or a market annuity price, is fine, provided it is applied consistently between the parties.
- **Market-related basis and recent date (para 3).** The basis must reflect market conditions at a recent date and the estimated cost of securing the benefits privately. In the definition of a "recent date", we do not specify how recent it should be. The working party would expect numerical parameters, such as annuity rates, should be refreshed in line with market data at

least every three months, ideally monthly. Full methodological reviews do not need to be as frequent, for example once a year may be reasonable. A significant market event (for example a sharp move in gilt yields) should prompt the PODE to consider whether the basis still holds, whatever the normal review cycle. Where a significant market movement occurs which could invalidate previously issued reports where the case has not been settled, the PODE should consider alerting users to this movement.

- **Achieving the relevant benefits through a private arrangement (para 3):** The basis used by the PODE should be consistent with the cost of securing or achieving those benefits privately, i.e. the basis should not only be market-related, it should be market consistent. This could mean annuitisation or drawdown is assumed.

- **Use of the CEV (para 4):** As described by PAG, it will sometimes be appropriate to use the CEV on proportionality grounds. There may also be circumstances where it does not differ materially from the PODE's own Independent Expert Value Calculation. However, in general it should be expected that the CEV is not appropriate for use as the IEV.

- **Equalisation age or date and benefits with different start dates or rates of increase (paras 5 and 8):** The PODE must state clearly the age or date from which income is compared or equalised (whether specified in the letter of instruction or left to PODE discretion). Where all pensions are in payment and increase at the same rate, equalisation of income at a point in time would be the same as equalisation over the full period. Otherwise, they are likely to be materially different. The comparison must take into account the full period from the equalisation age (or date) onwards, not just equalisation of income at a single point in time. In particular, if there are different rates of increase, or if benefits are not paid for the full period after the equalisation age (or date), this must be reflected in the comparison in line with paragraph 8. For example, if the equalisation age is 65, a £10,000 annual pension from 65 with no increases must result in a lower notional comparable income than a £10,000 pension from 65 with fixed 5% increases. Similarly, if the equalisation age is 60 but a pension only starts at 65, then the notional comparable income in respect of that pension must not be zero, but must be strictly lower than the notional comparable income of a pension that starts at 60 with the same increases.

- **Timing of benefits (para 6):** Equalised incomes reported by PODEs are often notional figures for summary comparison purposes. It is important to make clear to users the actual timing and form of benefits.

- **Benefits excluded (para 7):** It is essential that PODE reports make clear which benefits are in scope of their analysis and which are not. For example, it may be legitimate to exclude benefits paid between the calculation date and the equalisation age (or date) or to exclude lump sums. However, if this is done, it is essential to state prominently to the reader that, if these benefits are not allowed for separately in the settlement, they will not be allowed for at all. The PODE would usually be expected to advise the parties how such a separate allowance could be made.

- **Standard template (para 9):** To help users of multiple reports, we encourage the use of the standard summary template.

- **Terminology (para 10):** PODEs are encouraged to adopt the terms "cash equivalent value", "independent expert value", "notional comparable income" and "equalisation date/age" defined in the MGP. The use of a wide variety of terms for capital values by different PODEs can lead to confusion among users and there is no clear correlation between terms and differences in underlying methodology. For the purposes of the MGP and defaults, we define a PODE as an IFoA member doing work in the scope of APS X3. We encourage PODEs in the wider, non-IFoA sense to adopt these approaches, too.

- **Letter of instruction (para 11):** The FRC Reliability Objective underpinning the Technical Actuarial Standards is that users can place "a high degree of reliance on the relevance, transparency of assumptions, completeness and comprehensibility" of actuarial information. If a letter of instruction requires the PODE to omit a known material matter or would otherwise lead the PODE report to be misleading, this objective would not be met. The case Lewis v Cunningtons Solicitors (2023), while not directly applicable, held that the solicitors were negligent for not advising in relation to pensions even in the presence of a disclaimer. It seems prudent, and in line with actuarial standards, for PODEs to ensure they take reasonable steps to allow for all material matters. For example, a letter of instruction which says that only CEVs must be used may be unacceptable, depending on the facts of the case and the materiality of that point. Another example is where PODEs are asked to update an earlier report to reflect only specific, limited new information such as a data correction. If, for example, market conditions have also changed materially, PODEs should consider whether or not it is necessary to update the financial assumptions in addition.

8.4 Using the defaults

The defaults represent what we suggest a PODE does in the absence of any compelling reason to depart from the default. It is not the single “right” answer and does not constrain a better approach where one is materially more appropriate. A PODE should not spend disproportionate effort justifying a departure that is plainly appropriate. We have the following comments on specific paragraphs from the defaults, including some non-exhaustive reasons which might lead PODEs to depart from the defaults:

- **Equalisation ages (paras 1 and 2) and retirement age:** We suggest defaulting to an equalisation age, rather than an equalisation date or multiple equalisation ages or dates. Similarly, for simplicity, we propose, by default, limiting to a single retirement age for each party or each pension. Circumstances where it may be appropriate to depart include:

- **Benefits payable before the equalisation age.** These are common with uniformed public service schemes. Minimum Good Practice suggests highlighting these benefits, especially if they are not included in the analysis. Where it would help, the PODE might offer calculations at more than one age. However, all parties should avoid any more scenarios than necessary.

    - **Schemes sensitive to retirement age.** Where a scheme (for example the Police Pension Scheme) produces materially different outcomes at different retirement ages, consider showing more than one age.

    - **Particular circumstances of the couple and the wider financial settlement in contemplation might give rise to an equalisation date instead of an equalisation age:** For example, where maintenance is being agreed to the payer's retirement age on the basis that at that stage it is envisaged both parties will draw their respective pensions then equalisation from a single point in time may well be appropriate. However, this will normally be a matter covered by the letter of instruction which overrides any defaults. It is not a position that the PODE is likely to come to independently.

- **Benefits valued (para 3):**

    - **McCloud Remedy (para e):** An example of where this default might be departed from is if, in the view of the PODE, this could exceptionally result in an outcome that could be less favourable to the member overall. For example, the availability and size of Early Departure Payment (EDP) benefits could impact on McCloud decision making on Armed Forces cases but is ignored when simply comparing Armed Forces CEVs.

- **Updating benefits (para g):** It is for the PODE to judge what it means for benefits to be materially out-of-date. It may or may not be appropriate to estimate private sector DB CEVs noting that the scheme is likely to charge to provide updated CEVs more frequently than annually. In particular, PODEs should consider whether the use of historic private DB sector CEVs more than 12 months old may be inappropriate, for example where there have been material movements in the financial markets since the latest CEV was prepared. In all schemes, the PODE should consider updates where the member may have accrued material extra benefits since the CEV date.

- **Default range of calculations:** In common with the rest of the defaults, we lean towards a minimal range of calculations. We propose that, unless specified otherwise, it will normally be appropriate to include equality of income calculations as a minimum. Equality of capital calculations and offsetting calculations can, of course, also be included if required. These defaults do not imply that the PODE should add in equalisation of income if the letter of instruction says only to consider equalisation of capital – they should not.

- **Offsetting (paras 3c, 7):** PAG specifies that the benefits to be valued in offsetting will normally be the actual benefits to be received and we echo this in paragraph 3c. Having established the benefits to be valued, there are broadly two main approaches to arriving at a gross offsetting figure (i.e., the figure before any tax and utility adjustments):

    - **Approach 1:** Calculate the capital value of each pension based on the details of the member that holds that pension. The gross offsetting value is the difference between the two parties' capital values.

    - **Approach 2:** Calculate the notional shortfall in retirement income, i.e. how much lower the total notional retirement income will be for one party versus the other. The gross offsetting value is the capital value, from the perspective of the party with the lower income, of that income shortfall.

These will give different results if the parties are not the same age. **Approach 2** is consistent with equality of income calculations and is an estimate of the sum of money the party with the lower income would need to be able to top up their benefits to the same level as the other party. This is intuitively what an offset means in the context of an equality of income calculation. Since we propose providing equality of income calculations by default, we propose providing **Approach 2** offsetting figures by default, if offsetting figures are also required.

Approach 1 is consistent with equality of capital and sits most naturally if that is the approach considered. If both equality of income and equality of capital figures are provided, it may be appropriate to provide both sets of gross offsetting figures, i.e. one under each of **Approach 1** and **Approach 2**. However, this can be confusing if the difference between the results under each approach are not adequately explained.

We do not propose providing schedule of assets figures by default because these are effectively always **Approach 1**. This can be confusing for users because they will not reconcile to an **Approach 2** offsetting figure. If the pensions figures in the schedule of assets are netted off against one another, they will result in the **Approach 1** figure, not the **Approach 2** figure.

PODEs should also give careful consideration to the choice of tax assumptions in offsetting calculations, particularly where either or both parties may be subject to tax rates other than the basic rate on part of their pension income in retirement. While we do not propose it as a default, PODEs might also make an appropriate allowance for tax on the notional investment returns of the offset amount in the hands of the spouse.

- **Sensitivity and key judgements (para 8):** TAS 100 (5.5) requires the report to "indicate the nature and extent of any material uncertainty". We propose that by default PODEs should not include case-specific sensitivities to comply with this, but should comment on key uncertainties, including indicating the impact where appropriate. However, indications of impact might not be quantified (where this is defensible under actuarial standards) or might be quantified through generic information such as "The range of alternative methods could affect offsetting figures for a person aged X by up to around Y%".

- **No allowance for individual circumstances such as risk appetite, wider tax position or planned retirement options (para 9):** We do not mention allowance for individual health in this default. An example of where it may be appropriate to allow for health is where a party suffers from a confirmed, life-limiting health issue. A second example could be where height, weight, and smoking history can be justified as valid input criteria to determine market annuity rates, where this data is available. Otherwise, we propose that by default there is no allowance for individual health. By default, we propose that PODEs will not allow for individuals' wider tax position such as their non-pensions assets or any plans to continue in employment in retirement. Therefore, allowance for tax in offsetting figures would be by default to allow only for the tax on pensions excluding other assets and income.

- **State pensions (para 10):** The letter of instruction will generally set out whether state pensions are to be included or excluded in the PODE analysis. The default in paragraph 10 is relevant when the PODE is given discretion on whether to include them.

  PAG states that where state pension entitlements differ by over £20 a week, a PODE report may be necessary. If a PODE report is commissioned, considerations relevant to the materiality of state pensions may include the following, but these are not intended to be exhaustive or fixed rules:

  - In favour of exclusion:

    (i) Both parties have full or near-full National Insurance (NI) records

    (ii) Both parties are relatively young, for example under 40, and are likely to receive full state pensions (subject to future pension policy).

    (iii) Where state pensions are not material in context, for example in some bigger money cases.

    (iv) Speed and cost of advice may be relevant considerations, subject to MGP 11.

  - In favour of inclusion:

    (i) Men born before April 1951 or women born before April 1953 will have more complicated state pension benefits which may be shareable.

    (ii) Where clients specifically request a more detailed or comprehensive approach to the report.

Appendix 9: Working party terms of reference

Working Party Research Topic/Title:-	Pensions on Divorce
Source of idea/"Initiator":-	IFoA Thematic Review: Pensions on Divorce: Actuarial Advice, published April 2024
What issue is this research topic trying to address:-	**Technical approaches to valuing pensions for divorce purposes:** Can the group identify a default approach for divorce reports? If not, can it create concise guidelines (or a standard) setting out what is or isn't appropriate? This may include consideration of how allowances for "utility" should influence the choice of actuarial assumptions. **Terminology:** To agree terminology for methodologies being used, along with brief model plain English descriptions. **Communications with pensions providers:** Is there a more efficient approach that leads to shorter timescales? This may include standardising questions being raised with providers, simplified "letter of instruction" process and model timescales. It may also include proposed changes to regulation if needed.

Appendix 10: Use of AI tools

We have used AI tools including Claude, ChatGPT, Copilot and Fathom to assist with the working party's activity and the preparation of this report. The quantitative analysis reported in section 7 used Copilot and Claude principally for checking, tidying and adding variant calculations. Claude was used for researching background literature and adding references in section 8. The executive summary and conclusions were drafted initially by Claude based on the body of the report. LLMs were also used to help with error checking and modest amounts of additional wording on limited topics. Any AI contributions were reviewed by working party members.

Appendix 11: Recommendations

Recommendation: *We encourage all PODEs to adopt the template summary (Appendix 3), making use of the associated user guide (Appendix 2) and example (Appendix 4). As discussed in the user guide, we accept that the template will need to be adapted for some cases. We propose that the template should be reviewed after a year or so.*

Recommendation: *It will generally be appropriate to leave out technical detail where it is defensible to do so. PODEs should consider carefully whether technical information is in fact material to the primary users (lawyers, litigants or the court). If it is not material to the primary users, it should be excluded to avoid obscuring information which is material. If it is required by other users (such as shadow PODEs), the technical information should be made readily available separately by following a link or by request.*

Recommendation: *Assumptions for the RPI-CPI gap should reflect the announced alignment of RPI with CPIH from 2030 onwards. Evidence for any significant gap between CPIH and CPI is limited. In particular, there is no formula gap between CPI and CPIH, although CPIH differs in its components. As such, a reasonable assumption for the RPI-CPI gap from 2030 would be relatively small. .* PODEs should note that the FCA basis set out in PAG has been updated (including the RPI-CPI gap).

Recommendation: *PODEs should make users aware that different reasonable methods could lead to capital values that vary by a significant amount. PODEs should note to users that this range could be significantly larger for younger parties than for parties whose pensions are in payment. Where parties have not yet retired, PODEs should consider the Statutory Money Purchase Illustration assumptions, or another suitable benchmark, to show whether their own pre-retirement investment return assumption is high return/risk or low return/risk compared to other assumptions that might be used. Where material, PODEs should consider giving a quantitative indication of how the report results would change if different assumptions were instead used.*

Recommendation: *All PODEs should use of market-related financial assumptions which are regularly updated.*

Recommendation: *All PODEs should follow Minimum Good Practice for PODE work which includes:*

- Use of market-related financial assumptions which are regularly updated.
- If any benefits are excluded from the PODE report, for example if they fall before the equalisation age, the report must make clear that they will not be reflected in the settlement unless a separate allowance is made.
- PODEs should adopt consistent terminology. We recommend “Independent Expert Value” (IEV) for PODE-calculated capital values.
- Where PODEs depart materially from a PAG recommendation, they should highlight this to the user and document the reason for departures.

Recommendation (of the majority of the working party): *Accreditation of SJE PODEs should be enhanced. A certificate or practice module should be developed jointly by the IFoA and FCA for SJE PODEs to demonstrate competency. This will assist users in selecting a suitable SJE PODE. It will also help potential PODEs to assess whether they have the necessary competencies and develop them if not. This is consistent with the enhanced accreditation the IFoA raised in its response to the Ministry of Justice consultation. We propose that any enhanced accreditation should include periodic renewal and submission of a sample of work.*

Recommendation: *There should be set of pragmatic, non-binding defaults for most cases, with accompanying guidance on when it is appropriate to depart from them. These defaults do not go significantly beyond the PAG guide in most respects. The defaults rely on expert judgement for where they will not be appropriate. See Appendix 7.*



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